PHED/EC Item #1
January 24, 2022
Worksession

M E M O R A N D U M

January 19, 2022

TO: Planning, Housing, and Economic Development Committee
Education & Culture Committee

FROM: Christine Wellons, Legislative Attorney

SUBJECT: Bill 38-21, Economic Development Fund – Local Business Child Care Grant Program - Established

PURPOSE: Worksession – committee recommendation expected

Expected Attendees
Michael Coveyou, Director of Finance
Dennis Hetman, Department of Finance
Peter McGinnity, Department of Finance
Laurie Boyer, Department of Finance

Bill 38-21, Economic Development Fund – Local Business Child Care Grant Program, sponsored by Lead Sponsors Council Vice-President Albornoz and Councilmember Navarro with Co-Sponsors Councilmembers Katz, Friedson, Riemer, Jawando, Rice, Glass, and Council President Hucker, was introduced on October 19, 2021. A public hearing was held on November 9, 2021.[1]

Bill 38-21 would:

(1) establish a Local Business Child Care Grant Program;
(2) provide for the administration and eligibility criteria of the program; and
(3) require regulations to implement the program.

Background

On November 19, 2019, the Council adopted the Economic Development Platform for Montgomery County (Resolution No. 19-300). Under the Business Development pillar of the Platform: "The Council will invest in opportunities to 1) decrease the cost of doing business in the County; 2) promote the County's businesses and business climate; 3) facilitate the attraction and retention of strategic industries; and 4) expand entrepreneurial programs and services to create new businesses."

[1] #LocalBusiness; #ChildCareGrants; #SupportingFamilies

Consistent with the Economic Development Platform, the main purposes of Bill 38-21 are to decrease the costs of doing business in the County, and to attract and retain businesses in the County. The bill also would support businesses' efforts to subsidize childcare for their employees.

BILL DESCRIPTION

Bill 38-21 would require the Director of the Department of Finance to create and administer a Local Business Child Care Grant Program within the Economic Development Fund.

Under the program, a local for-profit or non-profit business, with 50 or fewer employees, could apply for a grant from the County to match up to 50% of the employer's contributions to its employees' Flexible Spending Accounts (FSAs) for eligible childcare and dependent care under Section 125 of the Internal Revenue Code. The match would be available only for employer contributions to FSAs for employees earning gross incomes of less than $125,000.

Grant recipients under the bill would be required to remit to the County any unused or improperly used grant funds. The Executive would report to the Council annually regarding the outcomes of the program.

SUMMARY OF PUBLIC HEARING

At the public hearing on November 9, 2021, five speakers testified in favor of the bill. One individual testified that she had to quit her job due to the high costs of childcare and, therefore, she supports Bill 38-21 in order to reduce individuals' childcare costs.

On behalf of the Community Action Partnership, Mr. Michael Subin testified in support of the bill "as an opportunity to expand access to child care for more Montgomery County families." Ms. Susan Madden, on behalf of Montgomery Moving Forward, stated support for the bill because affordable and high quality child care is essential infrastructure for the County's future.

On behalf of chambers of commerce:

- Ms. Marilyn Balcombe testified in support of the bill on behalf of the Gaithersburg-Germantown Chamber of Commerce. Ms. Balcombe stated: "Not only does this bill provide direct support to small businesses who are currently helping their employees with childcare costs, it is a great incentive for more businesses to provide this benefit. This bill is also a great example of how the County and the private sector can work together to help solve the complex, costly issue of early care." She noted that Maryland has the 7th highest childcare costs in the nation.

- Mr. Brian Levine testified, on behalf of the Montgomery County Chamber of Commerce, that the bill would mitigate the costs of childcare, make Montgomery County a more desirable place to live, and give the County a competitive advantage over other jurisdictions. He noted that the chamber worked with the lead sponsors, Council President Albornoz and Councilmember Navarro, to identify the need for the legislation.

ISSUES FOR THE COMMITTEES' CONSIDERATION

The Committees might wish to consider the following issues and potential amendments in connection with Bill 38-21.

1. Economic and Fiscal Impacts

The Office of Legislative Oversight (OLO) anticipates that Bill 38-21 would have a net positive impact on the County's economy. OLO explained in its Economic Impact Statement:

> The primary private organizations that enacting Bill 38-21 would affect are eligible businesses that currently provide childcare FSAs for their employees and those that would provide the benefits due to the grant subsidy. These businesses would experience a net reduction in operating costs associated with providing childcare FSAs. The reduction would occur for businesses that use the Local Business Child Care Grant to maintain current contribution levels to employees as well as those that use the subsidy to increase contribution levels….
>
> Moreover, to the extent that Bill 38-21 induces eligible businesses to provide or expand contributions to employee childcare FSAs, these businesses may experience additional economic benefits, such as improving employee recruitment and retention and reducing employee absenteeism and turnover associated with insufficient childcare. Indeed, Montgomery County is among the least affordable counties in Maryland for childcare. The average annual price of infant care is $19,632 for child care centers and $13,703 for family child care….In fact, almost 15% of working parents (especially women) in the state with children age 5 and under reported long-term disruptions to employment, such as switching from full-time to part-time work, due to child care-related issues. And approximately 18% of small businesses – the entities targeted by Bill 38-21 – experienced long-term disruptions to employment from working parents. The study finds that these disruptions carry significant economic costs….
>
> The primary residents that enacting Bill 38-21 would affect are eligible employees whose employers would provide childcare FSAs or increase contribution levels because of the Program. These residents would experience net decreases in household childcare costs in the form pre-tax savings….

Regarding fiscal impact, the Department of Finance has shared with Council staff the following:

> [W]hile the fiscal impact statement did not initially include a request for positions, if the program were to be administered by Finance's EDF there would be a need currently for at least one grade 25 Program Manager II to implement the program. Currently Economic Development only has one position at the grade 25 level and would require at least one more to start putting together the program. Finance may need additional positions to administer it depending on the volume of work that ultimately materializes.

2. Racial Equity and Social Justice

In its Racial Equity and Social Justice Impact Statement, OLO expressed concern that Bill 38-21 likely would disproportionately benefit White-owned businesses and White employees because of the demographics of the County and its employers. Specifically, OLO noted:

> White-owned businesses account for 60 percent of businesses and more than 90 percent of business revenue in the County. Therefore, the businesses that can take advantage of this childcare grant is likely to be White-owned. Further, employee groups likely to benefit from this grant are also disproportionately White as 72.2 percent of employed White residents in the County were employed in management, business, science and arts occupations in 2019 compared to 65.1 percent of Asian residents, 47.6 percent of Black residents, and 25.1 percent of Latinx residents.

In light of this anticipated RESJ impact, OLO recommended considering amendments to Bill 38-21 to:

> **Prioritize People of Color-owned businesses in childcare grant funding.** This could include setting aside childcare grant funds for People of Color (POC)-owned businesses and/or granting priority in funding to POC[-]owned business and White-owned businesses that partner and/or subcontract with POC-owned businesses in the County.

OLO did not include specific amendments within its recommendation. However, one approach the Committees might wish to consider – which is supported by the bill's lead sponsors, Council President Albornoz and Councilmember Navarro – would be to adopt an amendment similar to one that Councilmember Navarro put forward in connection with Bill 31-21, relating to tax credits for energy efficient buildings.

In considering Bill 31-21, Ms. Navarro proposed, and the Council enacted, an amendment to the tax credit program to provide expanded credits to taxpayers located within Equity Emphasis Areas (EEAs). EEAs are census tracts within the County that have been identified by the National Capital Region Transportation Planning Board as having underserved communities, including high concentrations of poverty. Map Detail | Metropolitan Washington Council of Governments (mwcog.org). EEAs are a tool used by the Metropolitan Washington Council of Governments to focus public policy strategies upon the hardest hit geographic areas, and to increase equity in multiple policy areas, including but not limited to transportation planning, housing, public health, and the environment. https://www.mwcog.org/newsroom/2021/09/24/equity-emphasis-areas-a-tool-to-prioritize-and-invest-in-communities--equity/

A potential amendment to bill 38-21 using EEAs would be to define Equity Emphasis Areas as consistent with Bill 31-21 (as "an area identified as an equity emphasis area by the National Capital Region Transportation Planning Board"), and to amend lines 37-42 as follows.

> (2) [[The]] Except as provided in paragraph (4), the amount of the grant must not exceed 50% of the annual amount of child care contributions paid by

the local business to its employees who earn gross incomes of less than $125,000 annually.

(3) The grantee must use the grant solely to provide child care contributions to employees who earn gross incomes of less than $125,000 annually.

(4) *Expanded grant for businesses located within Equity Emphasis Areas.* If the local business has its principal place of business within an Equity Emphasis Area, the amount of the grant must not exceed 60% of the annual amount of child care contributions paid by the local business to its employees who earn gross incomes of less than $125,000.

Next step: Vote of the Committees on whether to recommend for enactment Bill 38-21, including whether to adopt the potential amendment described above.

Bill No. 38-21
Concerning: Economic Development Fund – Local Business Child Care Grant Program – Established
Revised: 10/12/2021 Draft No. 1
Introduced: 10/19/2021
Expires: 4/19/2023
Enacted:
Executive:
Effective:
Sunset Date: None
Ch. ____, Laws of Mont. Co. ________

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsors: Council Vice-President Albornoz and Councilmember Navarro
Co-Sponsors: Councilmembers Katz, Friedson, and Riemer, Council President Hucker, and Councilmembers Glass, Rice, and Jawando

AN ACT to:
(1) establish a Local Business Child Care Grant Program;
(2) provide for the administration and eligibility criteria of the program;
(3) require regulations to implement the program; and
(4) generally amend the law related to the Economic Development Fund.

By adding
Montgomery County Code
Chapter 20, Finance
Section 20-76G

Boldface	*Heading or defined term.*
Underlining	*Added to existing law by original bill.*
[Single boldface brackets**]**	*Deleted from existing law by original bill.*
Double underlining	*Added by amendment.*
[[Double boldface brackets**]]**	*Deleted from existing law or the bill by amendment.*
* * *	*Existing law unaffected by bill.*

The County Council for Montgomery County, Maryland approves the following Act:

Sec. 1. Section 20-76F is added as follows:

20-76G. Local Business Child Care Grant Program.

(a) *Definitions*. As used in this Section:

Child care contribution means an employer's contribution to an employee's dependent care flexible spending account under Section 125 of the Internal Revenue Code.

Director means the Director of the Department of Finance or the Director's designee.

Fund means the Economic Development Fund established under Section 20-73.

Local business means a for-profit or non-profit entity that:

(1) has its principal place of business in the County; and

(2) employs 50 or less full-time-equivalent employees.

Principal place of business has the meaning stated in regulations adopted under Section 11B-81.

Program means the Local Business Child Care Grant Program established under this Section.

(b) *Establishment of Program*. Subject to appropriation, the Director must create and administer a Local Business Child Care Grant Program to assist local businesses that provide child care contributions for the benefit of their employees.

(c) *Eligibility*. The Director, based upon information submitted by the applicant for assistance, must find that:

(1) the applicant owns a local business; and

(2) the local business provides child care contributions to its employees.

(d) *Grant Agreement*. In order to receive financial assistance from the Fund under the Program, a local business must enter into a grant agreement with the County, which must include conditions related to:

(1) the County's right to audit financial records of the grantee;

(2) the grantee's reporting obligations to the Director; and

(3) the grantee's obligation to remit to the County any unused or improperly used funds.

(e) *Financial assistance*.

(1) The Director may award a grant from the Fund to an eligible local business under paragraph (c).

(2) The amount of the grant must not exceed 50% of the annual amount of child care contributions paid by the local business to its employees who earn gross incomes of less than $125,000 annually.

(3) The grantee must use the grant solely to provide child care contributions to employees who earn gross incomes of less than $125,000 annually.

(f) *Regulations*. The Executive must adopt Method 2 regulations to implement this Section. The regulations must specify the application procedures and eligibility criteria for a grant to a local business under the Program.

(g) *Reports*. On or before March 31 of each year, the Executive must report to the Council on the activities of the Program. The report must include:

(1) the number of local businesses participating in the Program;

(2) the number and dollar amount of grants made; and

(3) an evaluation of the impact of the Program on economic development within the County.

LEGISLATIVE REQUEST REPORT

Bill 38-21
Economic Development Fund – Local Business Child Care Grant Program – Established

DESCRIPTION:	Bill 38-21 would establish a Local Business Child Care Grant Program; provide for the administration and eligibility criteria of the program; and require regulations to implement the program.
PROBLEM:	Attract and maintain small businesses in the County
GOALS AND OBJECTIVES:	Incentivize and support local small businesses to locate in the County and to subsidize child care.
COORDINATION:	Department of Finance
FISCAL IMPACT:	OMB
ECONOMIC IMPACT:	Office of Legislative Oversight (OLO)
EVALUATION:	To be done.
EXPERIENCE ELSEWHERE:	To be researched.
SOURCE OF INFORMATION:	Christine Wellons, Legislative Attorney
APPLICATION WITHIN MUNICIPALITIES:	Available to eligible businesses within the County
PENALTIES:	Return of grant funds and other penalties related to the misuse of grant funds

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Fiscal Impact Statement
Council Bill 38-21, Economic Development Fund – Local Business Child Care Grant Program - Established

1. **Legislative Summary**

   Bill 38-21 would support legislation to establish a Local Child Care Grant Program through the Economic Development Fund to assist local small businesses that provide childcare and dependent care contributions for the benefit of their employees. This program will support local for-profit or non-profit businesses, with 50 or fewer employees to match up to 50 percent of the employer's contributions to its employees' Flexible Spending Accounts (FSAs). Grants must not exceed 50 percent of the annual amount of childcare and dependent care contributions paid by the local business to its employees who earn gross incomes of less than $125,000 annually.

   Bill 38-21 is similar to Bill 9-20, Economic Development Fund – Local Business Child Care Grant Program, which was introduced in March 2020. Both bills were introduced to encourage business development by decreasing the cost of doing business in the County, promoting the County's business climate, and facilitating the attraction and retention of strategic industries, and expanding entrepreneurial programs and services to create new businesses.

2. **An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.**

   Bill 38-21 expenditures are difficult to project. The County does not know the quantity of for-profit or non-profit businesses in the County with 50 or fewer employees, thus estimating how many businesses that may be eligible, with a reasonable degree accuracy is challenging to project. In addition, the variable related to the average costs of childcare per child and what the County's share of the small businesses' contributions could be is also challenging to quantify, as the cost is dependent on how many children an employee may have in dependent care.

3. **Revenue and expenditure estimates covering at least the next 6 fiscal years.**

   This Bill does not impact County revenues over the next six years. Please refer to the response in question #2.

4. **An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.**

   Not applicable.

5. **An estimate of expenditures related to County's information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.**

   Not applicable.

6. **Later actions that may affect future revenue and expenditures if the bill authorizes future spending.**

   Although Bill 38-21 does not specify funding levels, the following points may have a future indirect impact to the program: The American Rescue Plan Act of 2021 (ARPA) allows employers to increase the annual limit on contributions to dependent care FSAs up to $10,500 (from $5,000 for single taxpayers and married couples filing jointly), and to $5,250 (up from $2,500) for married individuals filing separately.

   - The option to allow 2020 flexible spending account balances into 2021 plan year (funds must be used by the end of plan year 2022).
   - Increase of Flexible Spending Account participants and any potential change in tax free reimbursement.

7. **An estimate of the staff time needed to implement the bill.**

   It is uncertain at this time how many businesses will qualify for the grant and the staff time that will be needed to administer the program.

8. **An explanation of how the addition of new staff responsibilities would affect other duties.**

   Not applicable.

9. **An estimate of costs when an additional appropriation is needed.**

   Not applicable.

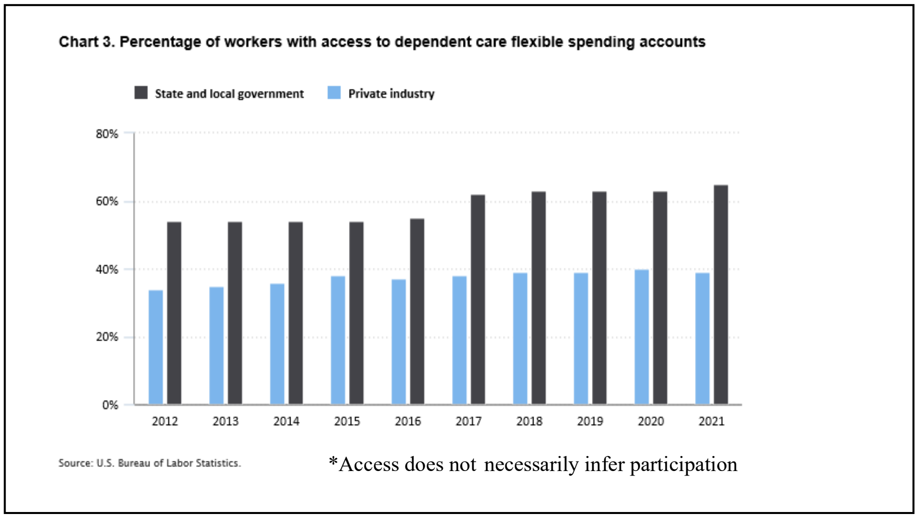
10. **A description of any variable that could affect revenue and cost estimates.**

    The variables that could affect cost estimates are the number of qualified small businesses who provide an employer contribution to their employees' Dependent Care Flexible Spending Accounts, as well as the number of said employees that contribute to Dependent Care Flexible Spending Accounts.

11. **Ranges of revenue or expenditures that are uncertain or difficult to project.**

    It is difficult to project how many small businesses either currently contribute to their employees' FSAs or will as a result of the County's matching grant program.

Though it is difficult to project how many small businesses currently contribute to their FSAs, there are some interesting data points to reference:

- 

- Eligible employees in the United States appears to be low, with estimates of participation in Flexible Spending Accounts (FSAs), the most common health-savings device ranging from 10% to as high as 40% in some sub-groups (Mercer, 2008).
- GSA employee probability of contributing to an FSA was approximately 27% (Increasing Flexible Spending Account (FSA) Participation Among Government Employees | Office of Evaluation Sciences (gsa.gov).
- The 2016 Kaiser Foundation's survey indicated that 75% of firms with 200 employees or more offer FSAs ("Framing Flexible Spending Accounts: A large Scale Field Experiment on Communicating the Return on Medical Savings Accounts", Jessica Leight and Nicholas Wilson).

12. If a bill is likely to have no fiscal impact, why that is the case.

See response to question #2.

13. Other fiscal impacts or comments.

Not applicable.

14. The following contributed to and concurred with this analysis:

Peter McGinnity, Department of Finance
Dennis Hetman, Department of Finance
Felicia Hyatt, Office of Management and Budget

Jennifer Bryant, Director
Office of Management and Budget

11/12/21
Date

Economic Impact Statement

Office of Legislative Oversight

Bill 38-21 Economic Development Fund – Local Business Child Care Grant Program – Established

SUMMARY

The Office of Legislative Oversight (OLO) anticipates that enacting Bill 38-21 would have a positive impact on economic conditions in the County. By subsidizing employer contributions to employee childcare Flexible Spending Accounts (FSAs), the Local Business Child Care Grant Program likely would reduce net operating costs for recipient businesses and reduce net household expenses associated with childcare for eligible employees of these businesses. The Bill also has the potential to mitigate employment disruptions caused by insufficient daycare and their negative impacts on affected residents and businesses. However, various unknowns prevent OLO from anticipating the likelihood that the Program would mitigate these impacts. Moreover, OLO notes that this analysis does not account for the economic opportunity cost of using County funds for the childcare subsidy nor whether the subsidy would help attract new businesses to the County.

BACKGROUND

Under the Business Development pillar of the Economic Development Platform for Montgomery County, the Council expressed its intent to "invest in opportunities to 1) decrease the cost of doing business in the County; 2) promote the County's businesses and business climate; 3) facilitate the attraction and retention of strategic industries; and 4) expand entrepreneurial programs and services to create new businesses."[1] Bill 38-21 aims to further this goal by incentivizing local small businesses to locate in the County and subsidizing childcare for employees.

If enacted, Bill 38-21 would charge the Director of the Department of Finance with creating and administering a Local Business Child Care Grant Program within the Economic Development Fund. The Local Business Child Care Grant Program (hereinafter the "Program") would accept applications from "local" for-profit and non-profit businesses, defined as businesses that have their principal place of business in the County[2] and 50 or fewer full-time-equivalent employees. For local businesses that receive the grant, the Program would subsidize up to 50% of the annual amount of childcare

[1] Resolution 19-300, Economic Development Platform for Montgomery County, Adopted on November 19, 2019.

[2] Code of Montgomery County Regulations defines principal place of business in the County as "A regular course of business commerce in the County by a business, along with any of the following: (1) The business has its physical business location(s) only in the County; or (2) The business has physical business locations both in and outside of the County, and the County-based location(s) account for over 50% of the business's total number of employees, or over 50% of the business's gross sales."

contributions businesses make to their employees' Flexible Spending Accounts (FSAs) for child care. The grant would only apply to employees whose incomes fall below $125,000 annually.[3]

INFORMATION SOURCES, METHODOLOGIES, AND ASSUMPTIONS

Enacting Bill 38-21 would involve a transfer from the County to businesses that receive the Local Business Child Care Grant. Using funds from the Economic Development Fund (EDF), the County would subsidize certain businesses' contributions to employees' FSAs for childcare. For businesses already based in the County, the transfer from the County to businesses entails a shift where economic activity occurs within the County—that is, County revenues being used to subsidize certain businesses' childcare contributions versus some other use of government spending. In contrast, if the subsidy plays a causal role in attracting new businesses to the County, the transfer would contribute to an influx of economic activity in the County.

Ultimately, the total annual economic impact of Bill 38-21 would depend on:

(a) the per year economic impacts of the childcare subsidy to affected businesses and residents;
(b) the per year economic opportunity cost of using EDF funds for the childcare subsidy; and
(c) the number and size of businesses the County attracts using the childcare subsidy per year.

OLO limits the scope of this analysis to the economic benefits of the childcare subsidy for several reasons. First, it is unknown how County revenues would otherwise be used in the absence of enacting Bill 38-21. For this reason, OLO cannot account for the economic impacts of alternative government spending required to estimate (b). Second, due to time limitations, OLO is unable to examine the extent to which the Program would attract new businesses to the County required to estimate the economic impacts of (c).

In subsequent sections, this analysis focuses on the economic benefits of Bill 38-21 to the primary stakeholders:

- eligible businesses, i.e., businesses that have their principal place of business is in the County and have 50 or fewer full-time-equivalent employees; and
- eligible employees, i.e., employees at eligible businesses whose incomes fall below $125,000 annually

[3] Montgomery County Council, Bill 38-21, Economic Development Fund – Local Business Child Care Grant Program – Established, Introduced on October 19, 2021.

OLO does not use a quantitative method to estimate the impacts on the primary stakeholders due to unknowns regarding the supply and demand for the Program.[4] Instead, OLO provides a qualitative assessment of the impacts based on the Program and childcare FSA conditions.

VARIABLES

The primary variables that would affect the economic impacts of enacting Bill 38-21 are the following:

- total dollar amount of grant funds
- total number of eligible businesses with childcare FSAs
- total number of eligible employees at eligible businesses
- total dollar amount of business and employee contributions to childcare FSAs

IMPACTS

WORKFORCE ▪ TAXATION POLICY ▪ PROPERTY VALUES ▪ INCOMES ▪ OPERATING COSTS ▪ PRIVATE SECTOR CAPITAL INVESTMENT ▪ ECONOMIC DEVELOPMENT ▪ COMPETITIVENESS

Businesses, Non-Profits, Other Private Organizations

The primary private organizations that enacting Bill 38-21 would affect are eligible businesses that currently provide childcare FSAs for their employees and those that would provide the benefits due to the grant subsidy. These businesses would experience a net reduction in operating costs associated with providing childcare FSAs. The reduction would occur for businesses that use the Local Business Child Care Grant to maintain current contribution levels to employees as well as those that use the subsidy to increase contribution levels. In terms of the former, the grant would subsidize current levels. For instance, an employer that contributes $1,000 per employee would receive up to a $500 subsidy from the grant. For businesses that increase contribution levels, the grant subsidy as well as additional payroll and FICA tax savings would reduce the marginal cost associated with providing more contributions.[5]

Moreover, to the extent that Bill 38-21 induces eligible businesses to provide or expand contributions to employee childcare FSAs, these businesses may experience additional economic benefits, such as improving employee recruitment and retention and reducing employee absenteeism and turnover associated with insufficient childcare. Indeed, Montgomery County is among the least affordable counties in Maryland for childcare. The average annual price of infant care is $19,632 for child care centers and $13,703 for family child care.[6] According to a 2018 study by the Maryland Family Network, the high costs of child care throughout Maryland contribute to employment disruptions for working parents

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[4] In terms supply, the total dollar amount of grant funds that would be injected into the local economy on an annual basis cannot be estimated, as the Bill does not specify figures on annual funding amounts. In terms of demand, the number of businesses that currently have childcare FSAs for their employees, the number of businesses that would establish the benefits due to the grant, the total number of qualifying employees across businesses, and other key variables are unknown.
[5] Brenda Porter-Rockwell, "How to Set Up a Flexible Spending Account," Inc.
[6] Child Care Aware of America. 2019. *The US and the High Price of Child Care*. County Supplement for Maryland.

with children.[7] In fact, almost 15% of working parents (especially women) in the state with children age 5 and under reported long-term disruptions to employment, such as switching from full-time to part-time work, due to child care-related issues.[8] And approximately 18% of small businesses – the entities targeted by Bill 38-21 – experienced long-term disruptions to employment from working parents.[9] The study finds that these disruptions carry significant economic costs. "Every year, absenteeism and turnover due to childcare issues in Maryland," the report states, "cost businesses more than $2.4 billion, reduce economic activity by nearly $1.3 billion, and lower state and local tax revenues by over $117 million."[10]

OLO notes that Bill 38-21's potential impacts on the workforce, as well as economic development, competitiveness or other Council priority indicators,[11] likely would depend on the total dollar amount of the Local Business Child Care Grant allocated to businesses in the County on an annual basis and the characteristics of businesses that receive the grant. For instance, the Program's ability to mitigate employment disruptions likely would be greater if the grant targets businesses in low-wage industries in which the financial burden of childcare costs for workers is more severe. However, due to unknowns previously discussed, OLO is unable to anticipate the likelihood of workforce-related outcomes occurring with the enactment of the Bill.

Residents

The primary residents that enacting Bill 38-21 would affect are eligible employees whose employers would provide childcare FSAs or increase contribution levels because of the Program. These residents would experience net decreases in household childcare costs in the form pre-tax savings. As previously discussed, net decreases in childcare costs may also mitigate various employment disruptions. These include short-term loss of income associated with reduced hours and unemployment, as well as lower reemployment wages and other long-term impacts associated with job loss and prolonged unemployment.[12] In fact, a review of the research on the impact of childcare costs on parental employment finds that a reduction in out-of-pocket costs for childcare increases mothers' labor force participation.[13]

DISCUSSION ITEMS

Not applicable

[7] Talbert, Elizabeth M., Ali Bustamante, Lindsay J. Thompson, and Margaret E. Williams. 2018. *Counting Our Losses: The Hidden Cost to Marylanders of Inadequate Child Care System*. Maryland Family Network.
[8] Ibid. 1.
[9] Ibid. 12.
[10] Ibid. 15.
[11] Montgomery County Code, Sec. 2-81B, Economic Impact Statements.
[12] Austin Nichols, Josh Mitchell, and Stephan Linder, Consequences of Long-Term Unemployment, Urban Institute, July 2013.
[13] Morrissey, Taryn W. 2017. "Child care and parent labor force participation: a review of the research literature." *Review of Economics of the Household*. 15: 1-24.

WORKS CITED

Child Care Aware of America. 2019. *The US and the High Price of Child Care*. County Supplement for Maryland.

Montgomery County Code. Sec. 2-81B, Economic Impact Statements.

Montgomery County Council. Bill 38-21, Economic Development Fund – Local Business Child Care Grant Program – Established. Introduced on October 19, 2021.

Montgomery County Council. Resolution 19-300. Economic Development Platform for Montgomery County. Adopted on November 19, 2019

Morrissey, Taryn W. 2017. "Child care and parent labor force participation: a review of the research literature." *Review of Economics of the Household*. 15: 1-24.

Nichols, Austin, Josh Mitchell, and Stephan Linder. Consequences of Long-Term Unemployment. Urban Institute. July 2013.

Porter-Rockwell, Brenda. "How to Set Up a Flexible Spending Account." Inc.

Talbert, Elizabeth M., Ali Bustamante, Lindsay J. Thompson, and Margaret E. Williams. 2018. *Counting Our Losses: The Hidden Cost to Marylanders of Inadequate Child Care System*. Maryland Family Network.

CAVEATS

Two caveats to the economic analysis performed here should be noted. First, predicting the economic impacts of legislation is a challenging analytical endeavor due to data limitations, the multitude of causes of economic outcomes, economic shocks, uncertainty, and other factors. Second, the analysis performed here is intended to *inform* the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the Bill under consideration

CONTRIBUTIONS

Stephen Roblin (OLO) prepared this report.

Racial Equity and Social Justice (RESJ) Impact Statement

Office of Legislative Oversight

BILL 38-21: ECONOMIC DEVELOPMENT FUND —LOCAL BUSINESS CHILD CARE GRANT PROGRAM—ESTABLISHED

SUMMARY

The Office of Legislative Oversight (OLO) anticipates that Bill 38-21 will have a net impact of widening racial and social inequities in the County as the bill's benefits for business owners and employees, that are disproportionately White, will likely exceed the bill's benefits for childcare operators and employees, that are disproportionately People of Color. To improve racial equity and social justice, this statement offers several recommended amendments for consideration.

PURPOSE OF RESJ IMPACT STATEMENT

The purpose of RESJ impact statements is to evaluate the anticipated impact of legislation on racial equity and social justice in the County. Racial equity and social justice refer to a **process** that focuses on centering the needs of communities of color and low-income communities with a **goal** of eliminating racial and social inequities.[1] Achieving racial equity and social justice usually requires seeing, thinking, and working differently to address the racial and social harms that have caused racial and social inequities.[2]

PURPOSE OF BILL 38-21

The purpose of Bill 38-21 is to attract and retain businesses in the County by subsidizing childcare for their employees.[3] Toward this end, the bill would require the County's Department of Finance to establish a Local Business Child Grant Program within the County's Economic Development Fund. The program would allow local for-profit businesses and non-profit organizations with 50 or fewer employees to apply for grants from the County to match up to 50 percent of the employers' contributions to its employees' Flexible Spending Accounts (FSA) for eligible childcare and dependent care.[4] The grant program's match would be available for employer contributions to FSAs for employees earning income of less than $125,000 annually.

Bill 38-21 is consistent with the County's Economic Development Platform to invest in local opportunities that decrease the cost of doing business, promote the County's businesses and business climate, attract and retain strategic industries, and expand services to create new businesses.[5] Bill 38-21 was introduced to the County Council on October 19, 2021.

ECONOMIC DEVELOPMENT, CHILD CARE, AND RACIAL EQUITY

Childcare and quality early childhood education is essential to economic development in the short-term and the long-term. As emphasized during this pandemic, childcare enables employees and women in particular to enter and remain in the workforce. And given the long-term benefits of high-quality early childhood programs, childcare also helps prepare the workforce for the future economy. Yet, despite high quality childcare providing so many public benefits, it is funded as a private good rather than as a public one. The high cost of delivering quality childcare compared to families' ability to pay for such services creates and exacerbates inequities in childcare by race, ethnicity, and income. These inequities in childcare, in turn, undermine efforts to advance equitable economic development opportunities. An examination of inequities in economic opportunity and childcare in Montgomery County by race and ethnicity follows.

Inequities in Economic Opportunity. Historically inequitable policies have fostered racial and ethnic inequities in economic development among business owners and employees. As noted by the Federal Reserve Bank of Boston:[6]

> "(T)he practices and policies that laid the groundwork for and built the U.S. were explicitly designed to ensure an absolute accumulation of intergenerational wealth and concentrated power for white people, particularly men. A legacy of land theft, slavery, racial segregation, disenfranchisement, and other exclusive policies against Black and Indigenous people and people of color produced a racialized economy that decimated these communities and intentionally barred survivors and descendants from building wealth, socioeconomic well-being and resilience."

Current inequities in policies and practices also adversely impact people of color as they consider starting and growing businesses. These include disparities by race and ethnicity in educational attainment, personal wealth, access to mainstream capital, and exposure to entrepreneurship in family and social networks.[7] They also include disparities by race and ethnicity in access to credit with Black- and Latinx-owned businesses more likely to have been denied credit, to receive only a portion of the funding requested, or to refrain from applying for needed funding out of fear that their applications will be rejected.[8] Other factors that explain the disparity in capital include discriminatory lending practices, less wealth to leverage, recent financial challenges, and lower credit scores.

Historic and current inequities in economic opportunity result in sizable disparities in business ownership by race and ethnicity. Nationally, Black and Latinx residents represent about 28 percent of the population, but only 8 percent of the nation's business owners with employees.[9] Locally, Black and Latinx firms each accounted for 15 percent of firms in 2012 and Asian firms accounted for 14 percent of firms, yet Asian firms accounted for only four percent of business revenue, Black firms accounted for 1.7% of business revenue, and Latinx firms accounted for 1.5% of business revenue.[10]

Economic inequities also foster racial and ethnic disparities in employment, income and poverty. Nearly two-thirds (64 and 62 percent) of White and Asian residents in Montgomery County were employed in management, business, science and arts occupations in 2017 while less than half of Black residents (45 percent) and only a quarter of Latinx residents were employed in such positions.[11] This contributes to disparities in incomes by race and ethnicity where the median household income for White families in Montgomery County was $119,000 and Asian families was $109,000 compared to $73,000 for Black households and $72,000 for Latinx households in 2017.[12] Economic inequities also foster disparities in poverty rates by race and ethnicity where four percent of White residents and six percent of Asian residents lived in poverty in 2017 compared to 11 percent of Black and Latinx residents.[13]

Inequities in Child Care. Historically inequitable policies and practices have fostered inequities in childcare by race and ethnicity among businesses and their employees as well as among client families and children. These inequities are driven by a lack of public investment in early childcare that is rooted in the racialized history of Black women bearing the burden of domestic work and childcare through slavery and Jim Crow. A description of how this legacy shapes inequity by race and ethnicity among childcare providers, access, and outcomes follows.

Childcare Providers and Caregivers. Unlike most developed nations, the U.S. has never treated the care of its youngest children as a public good worth of significant public investment, especially in relation to K-12 public education.[14] Whereas K-12 is seen as part of the public good, childcare is seen as part of the service industry.[15] The public undervaluing of childcare and its workforce is rooted in a history of race, gender, class, and nativism.[16] More than 90 percent of childcare workers are female and nearly half (45 percent) are people of color.[17] People of color are also concentrated among childcare providers as half of childcare business owners are minority-owned.[18]

The undervaluing of childcare makes it difficult for childcare providers and workers to achieve financial stability. Nationally, about 10 percent of programs have closed permanently since the start of the pandemic.[19] Further, four in five childcare operators suffered from a staffing shortage this summer and more than a third of early childhood educators reported they were considering leaving their programs, or the field itself, within the next year – a figure that rises to 55 percent at minority-owned businesses.[20]

A large proportion of the field has worked in poorly paid jobs with substandard or no benefits. In 2013, childcare workers earned an average of $10 per hour. Preschool teachers, including teachers in public and private settings, faired better at $15.11 per hour. In comparison, kindergarten teachers earned $25.40 per hour.[21] Further, a national survey found that nearly half of childcare workers received public assistance.[22] Without sufficient government support for childcare, "women of color have been subsidizing the entire system by taking very low wages."

The government usually subsidizes early childhood education for lower-income families who receive state-funded vouchers or subsidies. While many states and cities have also created or expanded pre-K programs, collectively these programs only serve 44 percent of eligible 4-year-olds and 17 percent of eligible 3-year-olds nationwide. Researchers note that government investments in childcare and early education have occurred in "fits and starts," often in response to larger public goals like preparing children for school, moving low-income parents into employment, and assimilating immigrant and low-income children of color into mainstream culture. However, these efforts have not been sufficiently funded to meet policy goals, provide benefits equitably, or address gaps in access to high-quality early education."[23]

Childcare Opportunities. Although government funding for childcare targets low-income families, both low- and moderate-income families face barriers to childcare and early education because the supply of available slots is insufficient for demand. A description of common barriers follows. Of note, these barriers can be especially daunting for families of color, English learning families, and immigrant families.[24]

- **Affordability:** The most universal barrier to childcare is cost. There are too few free or affordable early childhood programs for all children. For most working families, childcare is a significant portion of their household budget.[25] In 2021, the average cost of full-time infant care was $14,668 per year and for preschooler care, it was $16,365.[26] A family of four with an infant and a preschooler in Montgomery County would need to earn at least $106,000 to afford the costs of childcare.[27] Affordability is especially challenging for Black and Latinx families given lower average salaries and higher poverty rates.

- **Access:** Publicly funded early childhood programs can help alleviate affordability as a barrier to accessing quality childcare and early education services. Since all early childhood programs are under-resourced, policies determining who can participate in these programs are often made in the context of limited resources. These decisions can disproportionately limit access to children and families of color.[28]

- **Supply:** Families' participation in childcare and early education may also be inhibited by the lack of high-quality options that are culturally and linguistically appropriate. Research on populations impacted by "childcare deserts," areas with little or no access to childcare – show that nationally Latinx and Asian children are most impacted by lack of supply. The supply of high-quality options is often limited in poor and low-income neighborhoods. Low-income neighborhoods, as well as neighborhoods with high proportions of non-English speakers, may also have low availability of formal, licenses, culturally competent care, including bilingual providers who speak the languages of the families in the community.[29]

Locally, three of the most diverse areas of the County, Gaithersburg and Montgomery Village (District 9), Silver Spring and Wheaton (District 13) and Burtonsville (District 5) can be considered childcare deserts for infants and toddlers since the number of children under age two exceed slots available by more than 2,000 children.[30] In 2016, there were 5.5 children per registered slot for infants and toddlers across the County overall.[31]

- **Quality:** Research shows that maintaining strong and positive racial, ethnic, and cultural identities is beneficial for youth of color's development. Similarly, research demonstrates the benefits of early childhood program practice that maintains continuity of cultural and linguistic characteristics and experiences between children's homes and their early childhood settings. Yet definitions of quality in early childhood settings often reflects the views of the dominant language and culture and may fail to elevate standards of diversity or alternative concepts of quality.[32] In 2017, 43 percent of four-year olds participated in high-quality pre-K programs defined public pre-K and childcare and family care slots meeting the Excels 5 criteria in Montgomery County.[33]

ANTICIPATED RESJ IMPACTS

Discerning the potential impact of Bill 38-21 on racial equity and social justice in Montgomery County requires considering the potential impact of the bill on two sets of racial disparities: inequities in economic opportunity and in childcare. The potential impact of Bill 38-21 on each of these is addressed in turn. Taken together, OLO finds that Bill 38-21 will have a net impact of widening racial and social inequities in the County as the benefits of the bill for primarily White business owners and employees will be greater than the benefits received among disproportionately People of Color childcare operators and employees.

- ***Owners and Employees of Businesses Eligible for Child Care Grants.*** The demographics of employers and employees benefiting from Bill 38-21 is likely to be disproportionately White given the demographics of businesses and employees in the County. White-owned businesses account for 60 percent of businesses and more than 90 percent of business revenue in the County. Therefore, the businesses that can take advantage of this childcare grant is likely to be White-owned. Further, employee groups likely to benefit from this grant are also disproportionately White as 72.2 percent of employed White residents in the County were employed in management, business, science and arts occupations in 2019 compared to 65.1 percent of Asian residents, 47.6 percent of Black residents, and 25.1 percent of Latinx residents. Given this, OLO anticipates that White business owners and employees would disproportionately benefit from this bill. If White residents benefit more from Bill 38-21 than other racial and ethnic groups, the bill widens current racial and social inequities

- ***Owners and Employees of Child Care Businesses.*** Childcare operators and employees could also benefit if use of the grant helps to sustain and enhance their businesses and/or employee pay. More specifically, additional revenue into childcare programs resulting from the grant could help compensate operators and employees. OLO anticipates that this impact will improve racial equity and social justice because people of color (and women of color in particular) disproportionately comprise the childcare workforce and business owners. But this potential benefit is indirect and maybe worth less than the benefits that employers and/or employees receive from the grant. For example, in some situations, the grant will solely offset spending on childcare that was made outside of an employee's FSA account. In those cases, neither child care operators nor employees would receive any benefit from the grant as the revenue they collect for their services would be the same as what they received before the grant was awarded. Under this scenario, inequities in childcare compensation for operators and employees as sustained.

OLO acknowledges that if the bill works as intended, attracting or retaining more businesses as a result, County residents could benefit from increased economic opportunity and potential tax revenue resulting from the bill. However, OLO does not anticipate that such changes would favorably or negatively impact racial equity or social justice in the County.

Recommended Amendments

The County's Racial Equity and Social Justice Act requires OLO to consider whether recommended amendments to bills aimed at narrowing racial and social inequities are warranted in developing RESJ impact statements.[34] OLO finds that Bill 38-21 as currently constructed could widen racial and social inequities in the County because its provisions neither advance racial equity in economic development nor in childcare. Should the Council seek to address these inequities with recommended amendments to Bill 38-21, the following promising practices can be considered.

Prioritize minority-owned businesses in awarding childcare grants. Increasing and sustaining the number of People of Color-owned businesses in the County helps to narrow racial and social inequities in economic opportunities. Toward this end, the Council could consider amending Bill 38-21 to:

- **Prioritize People of Color-owned businesses in childcare grant funding.** This could include setting aside childcare grant funds for People of Color (POC)-owned businesses and/or granting priority in funding to POC-owned business and White-owned businesses that partner and/or subcontract with POC-owned businesses in the County.
- **Include cooperative businesses as another business category eligible for childcare grants**. PolicyLink advises that support for small businesses through cooperative business development will assist POC businesses as about 60 percent of new co-ops are owned by people of color. PolicyLink also finds that co-ops support wealth creation, quality jobs, and meaningful change for underserved populations.[35]

Create grant fund program for childcare providers. Investments in childcare and early education programs to expand high-quality opportunities and improve compensation for childcare providers will promote racial equity and social justice as the families and providers most likely to benefit from these investments are people of color. Toward this end, the Council could consider amending Bill 38-21 to award grants directly to childcare providers to:

- **Supplement employees' compensation.** This could include awarding grants to supplement earnings, provide health insurance, forgive student debt, provide paid time-off, and other supports.[36]
- **Support the education of the childcare workforce**. This could include scholarships and stipends, professional development, information, curricula, material in multiple languages and support for informal and license-exempt caregivers in diverse, low-income communities.[37]
- **Fiscal support for long-term sustainability of the childcare sector**. This could include support for general operations and capital investments and providing supplements to childcare providers that cover the difference between students enrolled and students attending among providers receiving state subsidies.[38]

Caveats

Two caveats to this racial equity and social justice impact statement should be noted. First, predicting the impact of legislation on racial equity and social justice is a challenging, analytical endeavor due to data limitations, uncertainty, and other factors. Second, this RESJ impact statement is intended to inform the legislative process rather than determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the bill under consideration.

Contributions

OLO staffer Elaine Bonner-Tompkins, Senior Legislative Analyst, drafted this RESJ impact statement.

[1] Definition of racial equity and social justice adopted from "Applying a Racial Equity Lends into Federal Nutrition Programs" by Marlysa Gamblin, et.al. Bread for the World, and from Racial Equity Tools https://www.racialequitytools.org/glossary

[2] Ibid

[3] Montgomery County Council, Bill 38-21, Economic Development Fund – Local Business Child Care Grant – Established, introduced on October 19, 2021

[4] According to the IRS, the combined employer and employee contributions for a dependent care FSA cannot exceed a $5,000 per year, or $2,500 if a person is married and files separately. If an employer contributes $5,000 to their employee's FSA, the maximum amount of the grant authorized under this bill would be $2,500 per eligible employee.

[5] Montgomery County Council, Resolution 19-300, Economic Development Platform for Montgomery County, November 19, 2019

[6] Field Note, 2020-2, December 2020 – Turning the Floodlights on the Root Causes of Today's Racialized Economic Disparities: Community Development Work at the Boston Fed Post-2020, Regional and Community Outreach

[7] Stephen Roblin, COVID-19 Recovery Outlook: Minority-Owned Businesses, Office of Legislative Oversight, September 21, 2020

[8] Alicia Robb, "Minority-Owned Employer Businesses and their Credit Market Experiences in 2017," Office of Advocacy U.S. Small Business Administration, July 22, 2020 cited by Stephen Roblin

[9] Joseph Parilla and Darin Redus, How a new Minority Business Accelerator grant program can close the racial entrepreneurship gap. Brookings, December 9, 2020

[10] Jupiter Independent Research Group, Racial Equity Profile Montgomery County, OLO Report 2019-7, Office of Legislative Oversight, July 15, 2019

[11] American Community Survey, 1 Year Estimates, 2019, Table S0201

[12] Jupiter Independent Research Group

[13] Ibid

[14] Christine Johnson-Staub, Equity Starts Here: Addressing Racial Inequities in Child Care and Early Education Policy, Center for Law and Social Policy (CLASP), December 2017

[15] Sarah Carr, The racist and sexist roots of childcare in America explain why the system is in shambles, Hechinger Report, October 26. 2021

[16] Christine Johnson-Staub

[17] Sarah Carr

[18] Eleonor Mueller, "Crashing down: How the childcare crisis is magnifying racial disparities," Politico, July 22, 2020.

[19] Estimate from Center for American Progress cited by Sarah Carr

[20] July survey from the National Association for the Education of Young Children cited by Sarah Carr

[21] Christine Johnson-Staub

[22] Center for the Study of Childcare Employment, 3 Earnings and Economic Security, Early Childhood Workforce Index, University of California, Berkeley, 2018

[23] Christine Johnson-Staub

[24] Ibid

[25] Ibid

[26] Maryland Family Network, Maryland Child Care Resource Network, 2021 Child Care Demographics, Montgomery County Report

[27] Ibid
[28] Christine Johnson-Staub
[29] Ibid
[30] Natalia Carrizosa, Child Care in Montgomery County, OLO Report 2016-3, Office of Legislative Oversight, December 8, 2015.
[31] Ibid
[32] Christine Johnson-Staub
[33] Elaine Bonner-Tompkins, Pre-K in Montgomery County and Other Jurisdictions, OLO Report 2017-7, Office of Legislative Oversight
[34] Montgomery County Council, Bill 27-19, Administration – Human Rights - Office of Racial Equity and Social Justice – Racial Equity and Social Justice Advisory Committee – Established
[35] Sarah Treuhaft and Victor Rubin, Economic Inclusion: Advancing an Equity-Driven Growth Model, Job Creation: Sectoral and Industry Approaches, PolicyLink, 2012
[36] Dapha Bassok, Anna Markowitz, and Molly Michie, COVID-19 highlights inequities in how we treat early educators in child care v. schools, Brown Center Chalkboard, Brookings, October 23, 2020
[37] Christine Johnson-Staub
[38] Natalia Carrizosa, COVID-19 Recovery Outlook: Child Care, Office of Legislative Oversight, July 14, 2020

Gaithersburg-Germantown Chamber of Commerce, Inc.

910 Clopper Road, Suite 205N, Gaithersburg, Maryland 20878 (301) 840-1400, Fax (301) 963-3918

BILL 38-21, ECONOMIC DEVELOPMENT FUND –
LOCAL BUSINESS CHILD CARE GRANT PROGRAM

The Gaithersburg-Germantown Chamber of Commerce supports Bill 38-21 to establish a Local Business Child Care Grant Program. Not only does this bill provide direct support to small businesses who are currently helping their employees with childcare costs, it is a great incentive for more businesses to provide this benefit. This bill is also a great example of how the County and the private sector can work together to help solve the complex, costly issue of early care.

The Economic Policy Institute tracks the high cost of childcare in every state. Maryland is the 7th highest cost in the Country with an average annual cost of infant care of $15,335—that's $1,278 per month. Childcare for a 4-year-old costs $10,254, or $855 each month.

Based on the U.S. Department of Health and Human Services (HHS), childcare is affordable if it costs no more than 7% of a family's income. By this standard, only 8.9% of Maryland families can afford infant care. At our current cost, infant care for one child would take up 17.6% of a median family's income in Maryland – more than twice what HHS considers affordable.

That is just for one child. Childcare for two children—an infant and a 4-year-old—costs on average $25,589. That's 37.0% more than average rent in Maryland. A typical family in Maryland would have to spend 29.4% of its income on childcare for an infant and a 4-year-old.

The economics of the childcare industry does not work for families on the lower end of the economic spectrum. Without specific support, families make alternative decisions such as unlicensed childcare, reliance of family support that may not be ideal, or parents leaving the workforce all together – most often mothers.

Over the past 18 months, we had a front row seat to what happens when the childcare industry breaks down. We want to do what we can to create sustainable change. There is no doubt that the economics of the childcare industry are complex and will not be solved by one program. However, this bill is a positive start. Providing grants for employers who contribute to the cost of childcare for employees is a great way for the County to help ease the burden for both employers and employees.

Please consider approving Bill 38-21.

Thank you for your consideration.

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County Council Bill 38 – 21: Economic Development Fund – Local Business Child Care Grant Program – Established
Montgomery County Community Action Board Testimony
Mike Subin, Executive Committee Member At-Large
November 9, 2021

Good afternoon, Council President Hucker, Vice President Albornoz, and members of the County Council. I am here today on behalf of the Montgomery County Community Action Board, the County's federally designated anti-poverty group. We thank the Council for your ongoing efforts to increase access to child care in the County, including the expansion of Pre-K classes from part-day to full-day programs, establishing grants for child care providers so that they could maintain their businesses during the pandemic, and your support for the County's Early Care and Education Initiative.

As advocates for the low-income community and as the governing body for Head Start, along with the Head Start Parents Policy Council, our board recognizes the critical need for affordable, high-quality early care and education. We support Bill 38-21 as an opportunity to expand access to child care for more Montgomery County families.

Child care costs in Montgomery County are the highest in the state.[1] For many families, child care is the largest monthly expense – higher than housing, food, or healthcare. According to the Self-Sufficiency Standard, a family of four with two adults, one infant, and one preschooler will spend $2,773 each month on child care costs alone – about $1,000 more than on housing.[2]

[1] https://www.marylandfamilynetwork.org/sites/default/files/2020-03/2020_MFN_Demographics.pdf
[2] https://www.montgomerycountymd.gov/HHS-Program/Resources/Files/SSS%20Report%20for%20MC_2017_FINAL.pdf

These numbers present extreme challenges for many in our community, especially given the fact that the Self-Sufficiency Standard for this same family is an annual income of $105,925, but the household would only earn $63,630 annually at the current Montgomery County minimum wage.

Bill 38-21 would help to address this serious issue facing our community by providing some relief to employees struggling to pay for child care and by hopefully encouraging more employers to establish Flexible Spending Account benefits. The savings to employees who are eligible for these accounts will be quite beneficial, but the Community Action Board also recognizes the need for direct financial support for families struggling to pay for child care. We regularly hear from participants in our advocacy training program for low-income residents, the Community Advocacy Institute, that child care costs place incredible burdens on families. Many participants note that access to child care is the primary community issue for which they are concerned. We strongly encourage the County Council to explore other innovative programs and policies that will further expand access to child care. Our board supports a mixed delivery system that supports family child care providers, child care centers, nonprofit partners, as well as public child care options.

The Community Action Board applauds the Council's work to address child care needs in the County and ensure that all families can obtain high-quality care. We are committed to working with you to continue to explore new options and opportunities for expanded access.

Susan Cottle Madden
Leadership Co-chair
Montgomery Moving Forward
Testimony
Montgomery County Council
Support of Bill 38-21 Local Business Childcare Grant Program
November 9, 2021

Council President Hucker, Vice President Albornoz, and Councilmembers, thank you for the opportunity to speak as one of the Co-chairs of Montgomery Moving Forward, an initiative of Nonprofit Montgomery, in support of Bill 38-21, the Local Business Childcare Grant Program.

This legislation continues Montgomery County's strong support of early care and education (ECE), which is so vital to our county's economic vitality and our residents' well-being.

MMF agrees that affordable, high quality childcare and early education is critical to the success of employers and the overall health of the economy in Montgomery County, and indeed to a full recovery from the economic consequences of the pandemic. ECE is essential infrastructure for employers large, small, for profit, and nonprofit alike. High quality, affordable ECE supports the workforce of today, by enabling employees to go to their jobs knowing that their children are safe and well cared for, and supports the workforce of tomorrow, by giving children a strong start that will propel them into kindergarten, laying the foundation for a lifetime of achievement. Availability of childcare is one of the factors that talented potential employees consider when evaluating a job and a location.

Childcare in this region is very expensive, costing as much as $33,000 a year per child. The US Department of Health and Human Services says that childcare should absorb no more than seven percent of family income. With median income at about $110,000 in the county, most families are paying three to five times as much as they should for childcare. Yet, wages in the childcare industry are shockingly low, with many workers making less than they would at MacDonald's. Providers need extra support just to break even.

That's why this bill is so important. Parents are struggling to pay tuition and childcare centers are struggling to stay open, especially given the sharp decline in the number of children attending childcare programs during the pandemic. Providing employers including nonprofits with support to help working parents afford childcare will help families go back to work, use childcare, and enable more childcare centers to operate close to or at capacity. In doing so, there will in turn, be more spots for families as centers rehire staff.

By targeting funds to small businesses and nonprofits to enable them to support employees making less than $125,000, the legislation directs dollars precisely where they can make the most difference. While large employers can often afford to offer expansive benefits, small employers need help. Small businesses are the lifeblood of our economy. Enabling these employers to attract and retain workers is important to sustaining a robust economy in our county.

Thank you again for giving Montgomery Moving Forward the opportunity to give testimony today, and for this investment in making high quality affordable childcare available to all Montgomery County residents.