

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1436

2007 HOUSE FINANCE AND TAXATION

HB 1436

# 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1436 A

## House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: January 22, 2007

Recorder Job Number: 1516

Committee Clerk Signature

*Nickie Schmidt*

Minutes:

Chairman Belter opened the hearing on HB 1436 and asked for testimony in support;

**Representative Kelsh:** Some of you will recognize this Bill. I think it's a worthy idea and deserves consideration. We have a high number of working mothers and or families where both parents work outside the home. This helps companies retain employees who have young children. It's a credit; it's equal to what the employer would receive under the federal credit. It also contains provision that if an employee who does not have young children, that employer provides that employee with a credit or some kind of a benefit of compensation worth that of a parent at home with children.

**Chairman Belter:** For parents that choose to stay at home with the children, is there any way that they would qualify for this?

**Representative Kelsh:** This is a tax credit that goes to the employer and if they choose to provide a child care benefit to an employee, they have to offer a benefit of comparable worth to the employee who does not take advantage of this program for child care.

**Chairman Belter:** So in other words, if an employee, where one of the parents chooses to stay home and that employer does offer this program, they probably would qualify but if either parent is not work for a corporation or is self employed they would not qualify?

**Representative Kelsh:** If they were self employed and they were their sole employee, I don't see how they could take advantage of this credit.

**Chairman Belter:** What about parents who might just have their children stay with the neighbor next door?

**Representative Kelsh:** If they're paying for that child care with the neighbor and the employer helps offset that cost, he would qualify for that credit.

**Chairman Belter:** Is there certain rules and regulations from the federal government that would say what is a qualified or what is not qualified, a home care service? Would they get the federal exemption?

**Representative Kelsh:** I know that I think what this Bill tries for a licensed child care facilities and those are regulated by the State.

**Vice Chairman Drovdal:** Where an employer provides child care, is that already deductible out there?

**Representative Kelsh:** They are entitled to a federal tax credit that is specific contribution.

**Vice Chairman Drovdal:** I don't mean the tax credit, I mean isn't it deductible as a business expense?

**Representative Kelsh:** I don't know.

**Representative Vig:** I wanted to note that I stand in support of 1436.

**Barb Arnold-Tengesdal, ND Association for Education of Young Children: (See attachment #1 & #2)**

**Representative Pinkerton:** Currently our business has a cafeteria plan where our employees can either take that as various kinds of deductions from their salary which doesn't expose them to fed taxes. How would this fit into a cafeteria plan?

**Barb Arnold-Tengesdal:** I'm not quite sure. When I read this, I think this is an incentive was for employers who don't necessarily provide that type of incentive. It might help them get started. I'm not sure how it deals with flex plans.

**Representative Schmidt:** On the printout here, that \$47 million federal dollars has come to ND. Do you know what period of time that was? Is this the total amount that we have up to date?

**Barb Arnold-Tengesdal:** What that means is that is the amount of money that comes into our State for child care and development block funds that the unit service dept. did for child care and subsidies, so we do have a lot of that money that 's coming into the State that's federal dollars. We get about \$10,000,000 per year for child care subsidies.

**Jack McDonald, on behalf of the YMCA's of ND: (See attachment #3)**

**Representative Grande:** On behalf of the Y, and they're over flowing with children, so how does this help jack up the income?

**Jack McDonald:** We would like to see how day cares operate; we're not the only ones in business. Because we are in the business, we see that there is this demand and we are not able to meet the whole demands. The YMCA's are in business to serve people and the more people coming in, YMCA's benefit that way as well.

**Representative Grande:** Then how did this Bill increase salary? If this is a tax credit to the employer, how does that affect salaries?

**Jack McDonald:** I'm not sure?

**Chairman Belter:** In the case with the YMCA, do you currently contract with businesses to provide child care?

**Jack McDonald:** On occasion we do, but not on a regular basis.

**Chairman Belter:** Is there further testimony in support of 1436? Any opposition? Any neutral testimony?

**Joe Becker, Tax Dept.:** Just a note for the committee's information, as the Bill is structured, it currently limited the individuals in regular corporations, we want to open this to the universe of employers including escorts, corporations, partnerships and such, and you'll need additional language to do that.

**Chairman Belter:** You said the escorts and partnerships are not included?

**Joe Becker:** Those entities aren't taxed and therefore the credit is no value to them. If you want those credits to be of value, then they have to pass through the owners.

**Chairman Belter:** Individuals are included?

**Joe Becker:** Yes.

**Representative Pinkerton:** ING has a large child care facility there that they give some credit to their own employees but it's also open to other children to go there. Would ING receive a credit for this?

**Joe Becker:** This is linked directly to the federal credit program so whatever the federal rules provide is what governs us here and I would have to look that up.

**Chairman Belter:** Any other questions? Hearing none, we'll close the hearing on HB 1436.

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1436 B

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: January 22, 2007

Recorder Job Number: 1584

Committee Clerk Signature

*Micki Schmidt*

Minutes:

Chairman Belter opened the hearing on HB 1436. We heard this Bill this morning, an income tax credit for child care.

**Representative Grande:** I move a Do Not Pass.

**Representative Headland:** Second it.

**Chairman Belter:** Is there any discussion? Will the clerk take the roll: 9-y, 5-n, 0-absent. Rep.

Grande will carry HB 1436. The hearing was closed.

**FISCAL NOTE**  
**Requested by Legislative Council**  
01/16/2007

Bill/Resolution No.: HB 1436

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

|                | 2005-2007 Biennium |             | 2007-2009 Biennium |             | 2009-2011 Biennium |             |
|----------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
|                | General Fund       | Other Funds | General Fund       | Other Funds | General Fund       | Other Funds |
| Revenues       |                    |             |                    |             |                    |             |
| Expenditures   |                    |             |                    |             |                    |             |
| Appropriations |                    |             |                    |             |                    |             |

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

| 2005-2007 Biennium |        |                  | 2007-2009 Biennium |        |                  | 2009-2011 Biennium |        |                  |
|--------------------|--------|------------------|--------------------|--------|------------------|--------------------|--------|------------------|
| Counties           | Cities | School Districts | Counties           | Cities | School Districts | Counties           | Cities | School Districts |
|                    |        |                  |                    |        |                  |                    |        |                  |

**2A. Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1436 provides an income tax credit to employers for contributions or support for child care programs for dependents of employees.

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 authorizes a tax credit equal to the federal employer-provided child care credit allowed to that employer. The credit is not allowed unless the employer provides a benefit of comparable worth to employees who do not use the child care program.

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

There is not adequate information available regarding the employers that may offer daycare, or contributions in support of daycare and those that will offer a benefit of comparable worth to other employees. The fiscal impact cannot be determined.

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

|               |                      |                |                            |
|---------------|----------------------|----------------|----------------------------|
| Name:         | Kathryn L. Strombeck | Agency:        | Office of Tax Commissioner |
| Phone Number: | 328-3402             | Date Prepared: | 01/20/2007                 |



Date: 1-22-07  
Roll Call Vote #: 1436

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO.

House \_\_\_\_\_ Finance & Tax \_\_\_\_\_ Committee

☐ Check here for Conference Committee

Legislative Council Amendment  
Number \_\_\_\_\_

Action Taken Do Not Pass

Motion Made By Rep. Grande Seconded By Rep. Headland

| Representatives       | Yes | No | Representatives | Yes | No |
|-----------------------|-----|----|-----------------|-----|----|
| Chairman Belter       | ✓   |    | Rep. Froelich   |     | ✓  |
| Vice Chairman Drovdal | ✓   |    | Rep. Kelsh      |     | ✓  |
| Rep. Brandenburg      | ✓   |    | Rep. Pinkerton  |     | ✓  |
| Rep. Froseth          | ✓   |    | Rep. Schmidt    |     | ✓  |
| Rep. Grande           | ✓   |    | Rep. Vig        |     | ✓  |
| Rep. Headland         | ✓   |    |                 |     |    |
| Rep. Owens            | ✓   |    |                 |     |    |
| Rep. Weiler           | ✓   |    |                 |     |    |
| Rep. Wrangham         | ✓   |    |                 |     |    |
|                       |     |    |                 |     |    |
|                       |     |    |                 |     |    |
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|                       |     |    |                 |     |    |
|                       |     |    |                 |     |    |

Total (Yes) 9 No 5

Absent 0

Floor Assignment Rep. Grande

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE (410)**  
January 24, 2007 3:31 p.m.

**Module No: HR-16-1151**  
**Carrier: Grande**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1436: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (9 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). HB 1436 was placed on the Eleventh order on the calendar.**

2007 TESTIMONY

HB 1436

1-22-07

#1 HB 1436A

To: Wesley Belter, Chairman, House Finance and Taxation Committee

From: Barb Arnold-Tengesdal, North Dakota Association for Education of Young Children

Date: January 22, 2007

Re: Testimony in support of HB 1436

NDAEYC is a professional association of 380 people, representing a wide variety of jobs. Head Start teachers, child care directors, university students and instructors, home-based providers and others make up this association that has a mission to serve and act on behalf of the needs, rights, and education of all young children.

We urge your support of HB 1436 because it is good for children. It is good for working families. It is good for communities. It is good for state economic development. It is good for businesses.

Economic development efforts will not be successful without community infrastructure to support the needs of employees. Child care is a fundamental component for job development in both rural and urban areas of our state (*A Rural Road: Exploring Economic opportunities. The Great Plains Collaborative Project-North Dakota Data Center 2001*). North Dakota is second in the nation with two parents working. These families often are piecing together several low wage jobs. Child care can be a substantial expense for these households.

In the past two legislative sessions we've brought forth this same bill knowing it would be an important part of the entire economic development picture in North Dakota. We used data and research comparing our state to others that had similar demographics. We now have a report recently released by the NDSU Data Center entitled the *Economic Impact of Child Care in North Dakota (October, 2004)* that examines the impact of which a small investment, as suggested in this bill, will have on the entire economy of North Dakota. What we know is:

*Child Care is a significant industry*

- Child Care is the 10<sup>th</sup> largest occupation in North Dakota employing over 6,000 residents
- More than \$123 million in revenue was generated in the child-care industry alone

*Child Care indirectly contributes significantly to North Dakota's economy*

- Every new dollar spent on child care creates an additional \$0.53 in economic activity
- For every 100 jobs created in the child-care industry, 31 other jobs are spun off in other industries

*Child care has major effects on North Dakota's economy*

- Nearly \$47 million in federal monies were allocated to North Dakota to support children's care and development

- Each additional dollar contributed to child care in North Dakota by federal government generates \$0.86 more in economic activity throughout the state
- Child care increases household income and enables parents to work*
- More than 17,000 families rely on paid child care in North Dakota
  - North Dakota families using child care earn more than \$743 million annually

The direct, indirect and induced economic impact of the child care industry in North Dakota is monumental. Revenues from child care were comparable to the gross state product generated by coal mining, motor vehicle equipment manufacturing, and insurance agents, printing & publishing and legal services (page 6, Economic Impact of Child Care in North Dakota, 2004).

A study done in 2002 by the National Women's Law Center showed 28 states have enacted employer tax credits for child care. The fiscal impact on states has been far less than expected for several reasons. Many corporations have little state tax liability to apply against a credit. In 16 of 20 states that were studied, five or fewer corporations claimed the tax credit. In 5 of the 16 states, no corporations claimed the credit. So why do it? If it is taken by business, the tax credit has no significant difference to the community. There are several on-site child care programs working in our state, making a difference in the recruiting and retention of workers to those businesses. The policy recommendations from the study suggest that tax credits such as this one will be a step in the right direction and will have a greater revenue gain than the tax loss to our state.

HB 1436 will:

- Give parents more choices of quality, reliable child care that they can afford.
- Increase worker productivity due to fewer child care disruptions and higher morale among employees.
- Encourages employers to offer benefits to attract and retain a young workforce.
- Give North Dakota a competitive edge in economic development with other states who offer child care incentives.
- Create business and community partnerships that will strengthen the child care infrastructure.
- Create more child care openings in much needed areas of the state.

***Grow North Dakota...Invest in Children.***

***Child care keeps families working!***

1-22-07

#2

HB 1436A

# Economic Impact of Child Care in North Dakota

A North Dakota KIDS COUNT! Research Brief

Issued  
September 2004

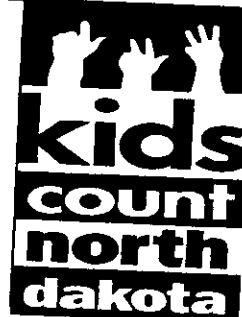
RB04-1

Contributors:  
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## Forward

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This study provides insight into the economic contribution of the child-care industry to North Dakota. In this report we recognize that *child care involves a continuum of care* children may receive throughout a day, including early childhood education and preschool experiences. Much of our data are based on surveys of licensed child-care programs. In North Dakota, child-care programs may be either licensed (in which case, they are reviewed yearly), self-certified (i.e., voluntary registration without yearly review), or uncertified (i.e., operating without informing the state). Because the majority of the data utilized in this report reflect only licensed child-care programs, the *economic impacts noted here are very conservative estimates because they exclude unlicensed (self-certified and uncertified) child-care programs.*

## Acknowledgments

We thank Dr. Mildred Warner, Department of City and Regional Planning, Cornell University for her assistance with the input-output modeling and her review of this report. She has been a vital advisor in designing and conducting our analysis. Her willingness to provide technical assistance has been greatly appreciated. We also thank Barb Arnold-Tengesdal of Voices for North Dakota's Children for her encouragement and guidance. Finally, we acknowledge Linda Lembke, Director of Region 5 & 6, North Dakota Child Care Resource & Referral Network, for her important role in coordinating and collecting the survey data from child-care programs. Her commitment and desire to improve child care in North Dakota is an inspiration to us all.

In addition, we would like to acknowledge the following individuals who have contributed to this project by providing data, reviews, insights, and advice.

Linda Rorman  
Head Start State Collaboration Administrator  
ND Department of Human Services

Allison Dybing  
Director  
Towner Early Explorers Head Start

Corrine Bennett  
Early Childhood Services Administrator  
ND Department of Human Services

Bobbi Gitter  
Child Care Subsidy Administrator  
ND Department of Human Services

Kathy Grafsgaard  
Child Nutrition & Food Distribution Director  
ND Department of Public Instruction

Kim Jacobson  
Child Nutrition & Food Distribution Programs  
ND Department of Public Instruction

John Hougen  
Director, Public Assistance  
ND Department of Human Services

## ECONOMIC IMPACT OF CHILD CARE IN NORTH DAKOTA

Child care makes numerous contributions to a state's quality of life by enhancing the social and intellectual development of the next generation of citizens. According to the National Association of School Psychologists, enrollment in high quality child-care programs can enhance children's chances for academic success by helping them develop "increased self-regulation, attention, verbalization, and competence in play and exploration." In addition, benefits for at-risk children include "decreased placement in special education, fewer behavior problems, decreased grade retention, and lower drop-out rate."<sup>1</sup>

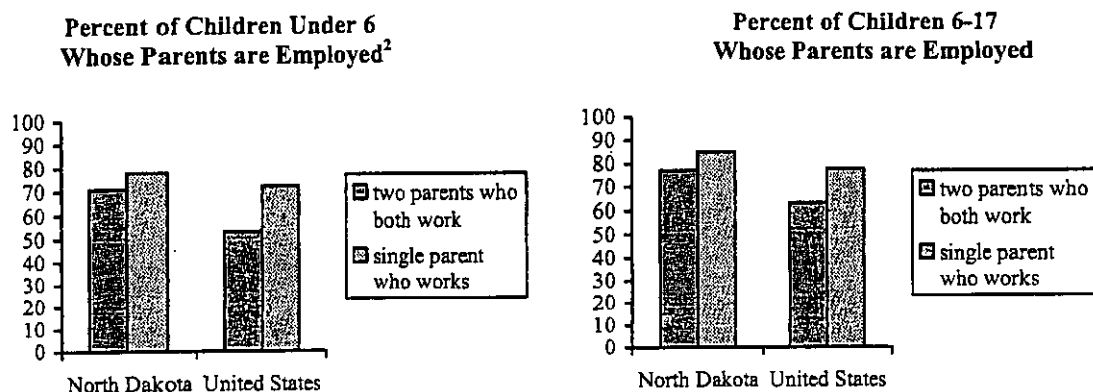
While much has been written about the social and educational benefits of child care, what do we know about the *economic contributions* of child care to North Dakota's well-being? This report will outline several impacts, including the degree to which child care is an income-generating and job-creating industry that

- helps thousands of North Dakota parents join the labor force and provide for their families,
- creates employment for more than 6,000 child-care workers,
- results in annual revenues of more than \$123 million,
- contributes to the state's economy through the purchase of goods and services by child-care programs and their employees and the spin-off of new jobs, and
- provides an important resource for employee recruitment and reduces employee turnover and absenteeism.

In this report, we recognize that *child care involves a continuum of care* children may receive throughout a day, including early childhood education and preschool experiences.

### Children with Working Parents

In 2000, 46,413 North Dakota children under six years of age lived with one or both of their parents. In two-parent homes, 71% of children under six had two employed parents. An even larger percentage (78%) of children living in single-parent families had a parent who worked. The vast majority of children of all ages in North Dakota have parents who are employed. These parental employment rates are considerably higher than in the nation as a whole, as shown in the charts below, indicating that families' need for child care is relatively high in this state.





### Who Provides Child Care?

Child-care programs are located in either private, for-profit facilities or in non-profit organizations. Approximately 1,630 child-care programs are licensed by the state and undergo yearly review.<sup>3</sup> Persons who care for six or more children (or four infants) are required to be licensed.

### Type of Licensed Child-Care Programs in North Dakota, 2003<sup>3</sup>

| Program Type | Program Qualities        | Number of Programs | Capacity      |
|--------------|--------------------------|--------------------|---------------|
| Family&Group | 6-18 children            | 1,403              | 13,957        |
| Centers      | 19 or more children      | 152                | 10,974        |
| Preschools   | up to 3 hours per day    | 55                 | 1,211         |
| School Age   | before/after school care | 20                 | 1,537         |
| <b>TOTAL</b> |                          | <b>1,630</b>       | <b>27,679</b> |

In addition, because we define child care as a continuum of care, including early childhood education and preschool experiences, we note that 14 federally-funded Head Start and Early Head Start comprehensive childhood development program grantees in North Dakota (including four tribal grantees) provided early childhood care and education for 2,932 preschool children and 421 infants and toddlers in 2003.<sup>4</sup>

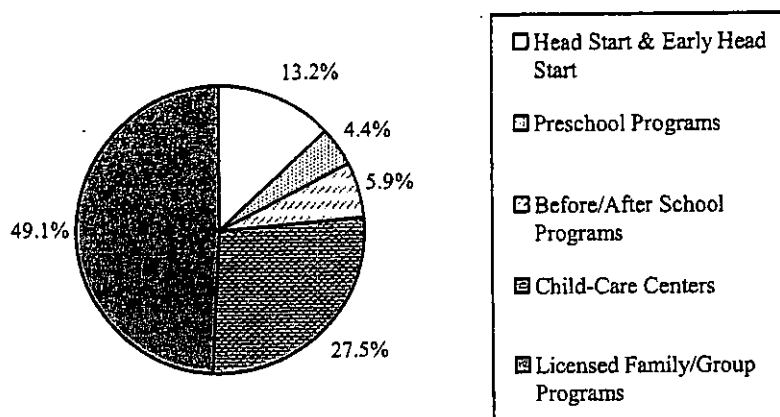
In order to estimate the number of unlicensed child-care programs that exist in the state, we reviewed federal income tax information. These data indicate that there were 3,239 child-care establishments in 2001 in North Dakota that did not have a payroll,<sup>5</sup> which suggests that 3,239 persons were operating a child-care service alone. By subtracting 1,630 from 3,239, we can infer that approximately one half of the state's child-care programs (N=1,609) may be unlicensed (self-certified and uncertified).

If national data are good indicators of trends in North Dakota, we can assume that about 50% of children under six who have two parents in the labor force or who live with a single parent are cared for by a paid child-care provider.<sup>6</sup> This would entail about 23,200 North Dakota children. The other half is likely to be cared for by one of their parents (22%) or by a grandparent or sibling (29%).

### Type of Program Used by Parents

Information provided by the Child Care Resource and Referral Network and the Head Start and Early Head Start programs enables us to estimate the distribution of children in North Dakota's licensed child care and Head Start settings in 2002-2003. According to these data, almost half (49%) of children were enrolled in licensed family (fewer than 8 children) or group (8-18 children) programs. An additional 27.5% of children were served in child-care centers (19 or more children), 4.4% were enrolled in preschool programs, 5.9% had before/after-school care and 13.2% participated in Head Start/Early Head Start. Most of these children (N=15,163) were under the age of six.<sup>7</sup>

# **North Dakota Children Enrolled in Licensed Child Care and Head Start Programs, 2002-2003<sup>7</sup>**



Of the approximately 7,000 school-aged children enrolled in a licensed program, about half are receiving care in a family or group setting, 31% are in a child-care center, and only 19% are in before and/or after school care programs during the school year. Of course, summer months present a special challenge for working parents with young school-age children.

## **Affordability of Child Care**

Child-care costs vary depending on the type of program used and the age of the child who needs care. Licensed infant care costs in North Dakota range from about \$88 to almost \$100 per week. A family with a median family income for the state (\$43,654 in 1999)<sup>8</sup> would spend approximately 10% to 12% of their gross earnings on the care of one infant. Of course, costs rise with the addition of siblings.

## **Average Costs of Licensed Child Care in North Dakota per Child, by Age of Child and Type of Program, 2003<sup>9</sup>**

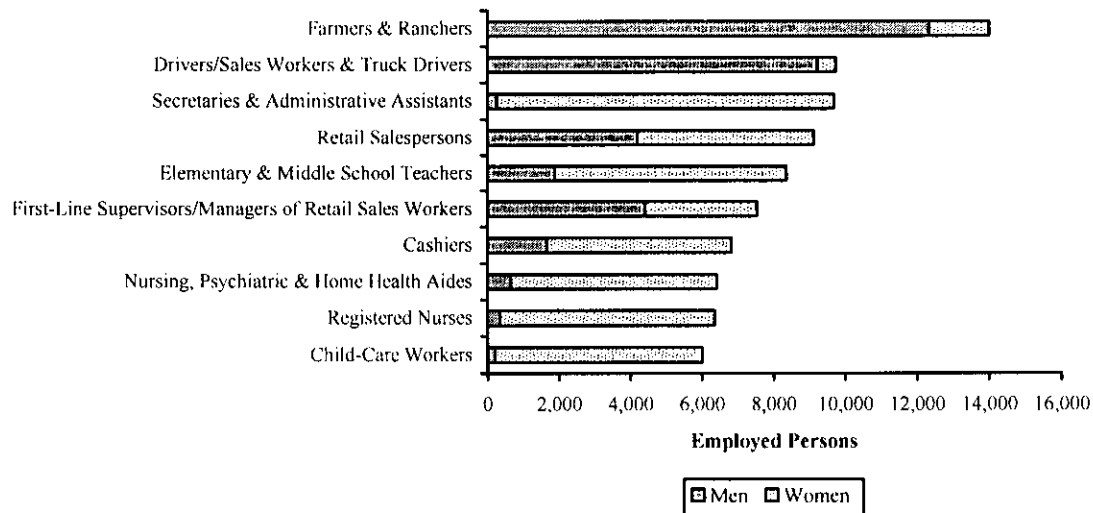
|                                    | Age of Child | Average Weekly Rate per Child | Estimated Average Monthly Rate per Child | Estimated Average Annual Rate per Child* |
|------------------------------------|--------------|-------------------------------|--|--|
| <b>Child-Care Centers</b>          |              |                               |  |  |
|                                    | 0-11 months  | \$99.48                       | \$397.92                                 | \$5,172.96                               |
|                                    | 12-24 months | \$98.93                       | \$395.72                                 | \$5,144.36                               |
|                                    | 24-36 months | \$93.38                       | \$373.52                                 | \$4,855.76                               |
|                                    | 3-5 years    | \$91.20                       | \$364.80                                 | \$4,742.40                               |
|                                    | K-12 years   | \$88.01                       | \$352.04                                 | \$4,576.52                               |
| <b>Family &amp; Group Programs</b> |              |                               |  |  |
|                                    | 0-11 months  | \$87.87                       | \$351.48                                 | \$4,569.24                               |
|                                    | 12-24 months | \$87.56                       | \$350.24                                 | \$4,553.12                               |
|                                    | 24-36 months | \$85.68                       | \$342.72                                 | \$4,455.36                               |
|                                    | 3-5 years    | \$84.92                       | \$339.68                                 | \$4,415.84                               |
|                                    | K-12 years   | \$84.05                       | \$336.20                                 | \$4,370.60                               |

\*Based on a fifty-two week year.

## Employment Generated by Child Care

Child care is a popular occupation in North Dakota. Child-care providers constitute the 10th largest occupation in the state, employing more than 6,000 people. This is similar to the number employed as registered nurses.<sup>10</sup>

### Top Ten Occupations in North Dakota, by Gender: 2000<sup>10</sup>



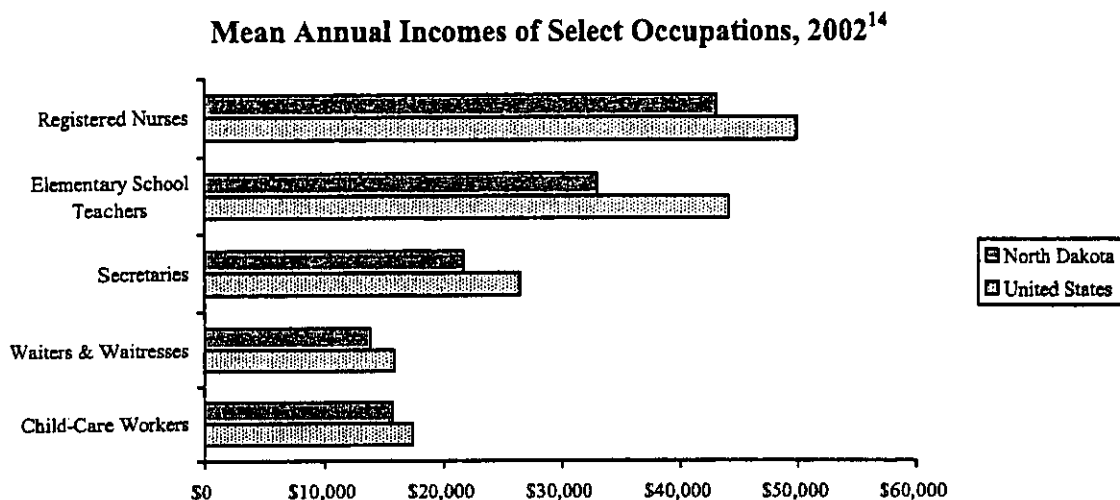
## Income of Child-Care Workers

Unfortunately, child-care workers' wages are relatively low in the United States and they are even lower in North Dakota. Child-care workers earn 63% of the median hourly income for workers in North Dakota. These low wages are not a function of a poorly educated work force. Child-care workers are well educated in North Dakota: about 36% of head child-care teachers have a bachelor's degree and more than 90% of child-care teacher assistants have at least a high school degree.<sup>11</sup> In the U.S., about 22% of child-care workers have less than a high school degree.<sup>12</sup>

### Workers' Wages in 2002<sup>13</sup>

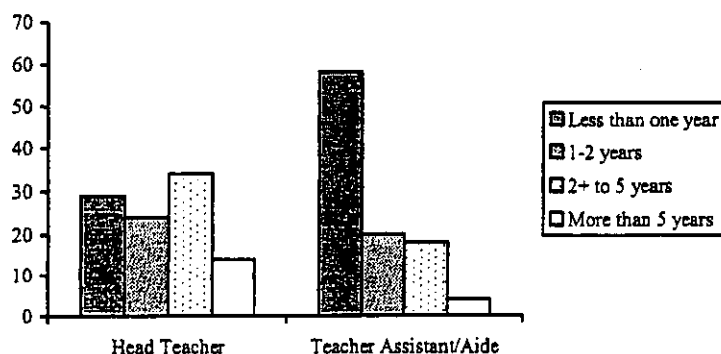
|   | North Dakota | National |
|---|--------------|----------|
| <b>Median Hourly Wage for All Workers</b>                       | \$11.12      | \$13.31  |
| <b>Child-Care Workers</b>                                       |              |          |
| Average Hourly Wage   | \$7.50       | \$8.32   |
| Median Hourly Wage  | \$7.06       | \$7.86   |
| Average Annual Wage   | \$15,590     | \$17,310 |
| <b>Preschool Teachers, Except Special Education</b>             |              |          |
| Average Hourly Wage   | \$8.79       | \$10.45  |
| Median Hourly Wage  | \$7.95       | \$9.26   |
| Average Annual Wage   | \$18,280     | \$21,730 |
| <b>Educational Administrators (Child-Care Centers/Programs)</b> |              |          |
| Average Hourly Wage   | \$16.74      | \$18.84  |
| Median Hourly Wage  | \$14.39      | \$16.03  |
| Average Annual Wage   | \$34,820     | \$39,190 |

Because child care work is a predominately female-based occupation and the concentration of females in an occupation has been shown to affect wages, we compared the mean annual incomes of several female-dominated occupations. As the chart below indicates, child-care workers earn approximately 72% of the annual income of secretaries and 47% of the annual income of elementary school teachers in North Dakota in 2002.



Unfortunately, one of the ramifications of child-care workers' low wages is relatively high job turnover rates. Nationally, approximately one-third of child-care workers leave their positions each year, usually to find a better-paying job.<sup>15</sup> In North Dakota, about 29% of head child-care teachers in licensed programs have been at their job for less than a year; more than half (52%) have less than two years in the same job. Child-care teacher assistants/aides have even higher turnover in North Dakota: more than half have less than a year's experience (58%) and more than three-quarters (78%) have less than two years on the job.<sup>16</sup> Because stability is important for children and quality child care, the turnover of employees is a serious issue that needs to be addressed. When polled, licensed care programs in the state dominantly indicated that if they had access to more funds, their top spending priority would be increased wages for employees.<sup>17</sup>

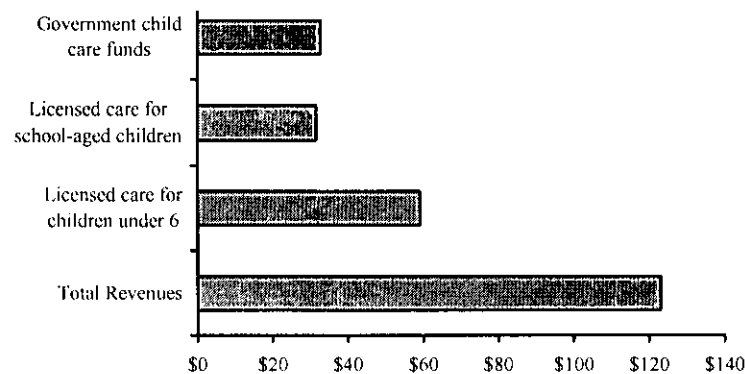
**Length of Time at Current Job  
for North Dakota Child-Care Workers in Licensed Programs, 2002<sup>18</sup>**



### Direct Economic Contributions of Child Care

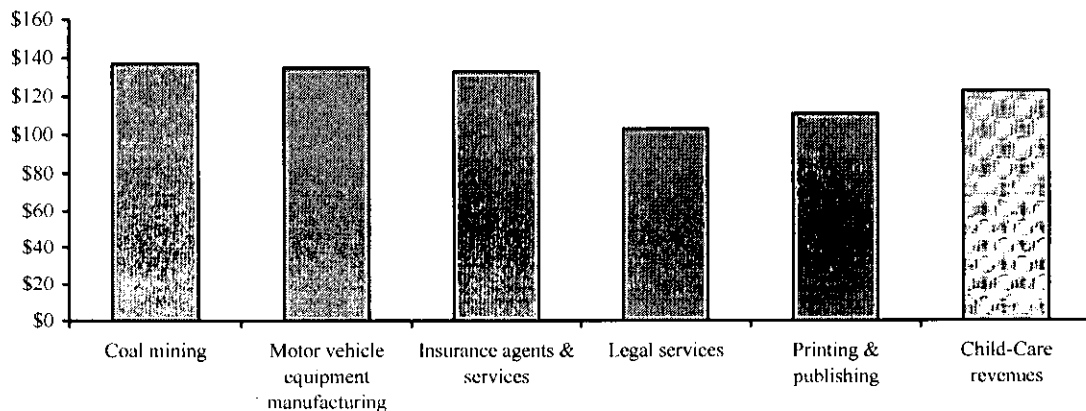
Licensed private-sector child care for children under six in North Dakota generated gross receipts of almost \$59 million in 2003, according to survey data from the Child Care Resource and Referral Network. Care for school-aged children brought in approximately an additional \$31.5 million.<sup>19</sup> Government funds related to child-care programs, such as the Child and Adult Care Food Program, and comprehensive child development programs, such as Head Start and Early Head Start, resulted in an additional almost \$32.7 million in revenues to the state.<sup>20</sup> In total, more than \$123 million were directly contributed to the North Dakota economy through the activities of licensed child-care programs. (If we were able to include data from unlicensed programs, these numbers would, of course, grow significantly.)

**Revenues from Child Care in North Dakota, 2002 (in millions of dollars)**<sup>19, 20</sup>



In order to gain a sense of the relative contribution of child care to the state's economy, we compared the revenues listed above with contributions to North Dakota's gross state product, a statistic used to indicate the value of goods and services produced in the state. Revenues from child care were comparable to the gross state product generated by coal mining, motor vehicle equipment manufacturing, and insurance agents, brokers and services. Child-care revenues exceeded the contributions of industries such as legal services and printing and publishing.

**North Dakota Gross State Product for Select Industries Compared to Child-Care Revenues, 2001 (in millions of dollars)**<sup>21</sup>



### **Direct, Indirect, and Induced Economic Contributions of Child Care**

Child-care programs enable other North Dakota businesses and organizations to succeed. They *directly* contribute to the state's economy by generating income and creating jobs. In addition, they enable thousands of parents to earn an income and, ultimately, to spend their wages purchasing North Dakota goods and services.

The *indirect* economic effects of child care result when child-care businesses and their employees purchase goods or services. This creates new revenues for the state and serves as a catalyst for maintaining or increasing employment in other industries. In addition, when employees spend their wages, this *induces* further economic activity and adds to the state's economy.

Estimates of the direct, indirect, and induced effects of child care on North Dakota's economy based on regional economic modeling<sup>22</sup> are as follows: every additional \$1.00 spent on child care in North Dakota creates another \$0.53 in economic activity throughout the state. In addition, each new job created in North Dakota's child-care industry generates an additional 0.31 jobs in other industries.

Child care also makes valuable economic contributions to workers and employers that are more difficult to quantify. According to recent research, lack of affordable, quality child care can make it difficult for businesses to attract employees. When employees leave their jobs because of child-care problems, hiring and training costs rise. Moreover, when employees are forced to take time off because of child-care problems, productivity can suffer.<sup>23</sup>

### **Economic Impact of Public Investments**

In 2001, 17,021 North Dakota families with children ages 0 to 13 filed for federal child-care tax credit.<sup>24</sup> These parents obtained credits totaling \$6.6 million, which came back to the state as expendable income. In addition to this credit, the earning potential of these parents is considerable. A conservative estimate of the total household income for all families relying on child care can be obtained by multiplying the number of families who filed for federal child-care tax credit by the North Dakota median family income. This indicates that more than \$743 million of North Dakota's income is generated by families who are reliant on paid child care.

|               |   |
|---------------|---|
| 17,021        | Working families with child-care tax credit <sup>24</sup> |
| x \$43,654    | Median family income <sup>25</sup>                        |
| \$743,034,734 | = North Dakota household income reliant on child care     |

Federal spending such as Head Start and Early Head Start funding and child-care food programs contribute more than one quarter (27%) of the child-care sector's gross receipts. Our economic analysis indicates that each new federal dollar contributed to the child-care industry generates \$0.86 to the broader North Dakota economy through purchases by child-care centers and spending from wages. This investment has an overall impact on the revenue created in other industries of about \$87 million.

## Conclusion

Based on these findings it is clear that the child-care industry plays an important role in North Dakota's economy in many ways:

### *Child care is a significant industry*

- Child care is the tenth largest occupation in North Dakota employing over 6,000 residents
- More than \$123 million in revenue was generated in the child-care industry alone

### *Child care indirectly contributes significantly to North Dakota's economy*

- Every new dollar spent on child care creates an additional \$0.53 in economic activity
- For every additional 100 jobs created in the child-care industry, 31 other jobs are spun off in other industries

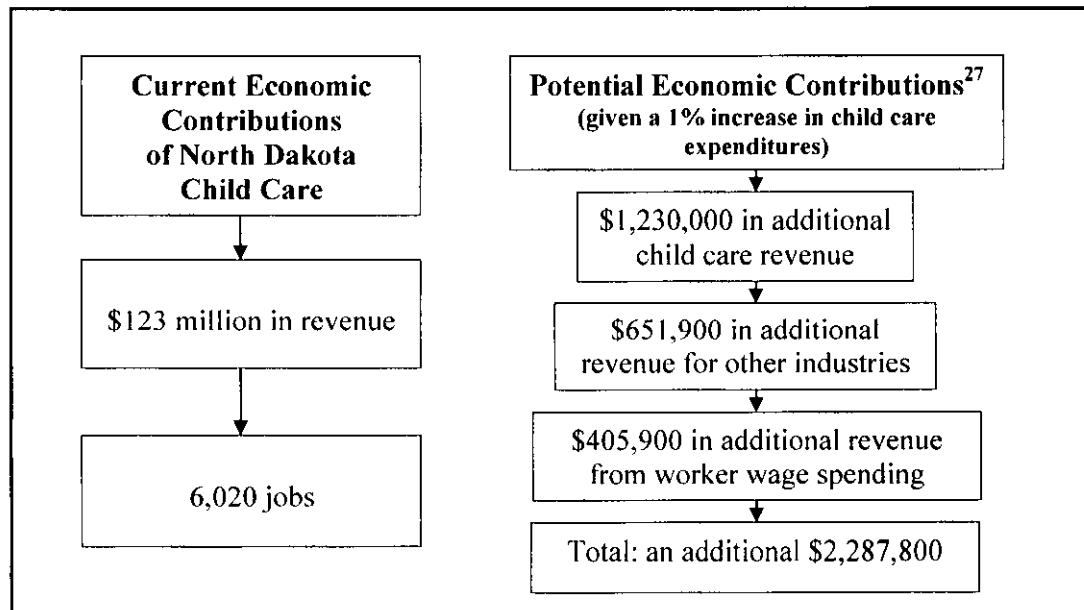
### *Child care has major effects on North Dakota's economy*

- Nearly \$47 million in federal monies were allocated to North Dakota to support children's care and development<sup>26</sup>
- Each additional dollar contributed to child care in North Dakota by the federal government generates \$0.86 more in economic activity throughout the state

### *Child care increases household income and enables parents to work*

- More than 17,000 families rely on paid child care in North Dakota
- North Dakota families using child care earn more than \$743 million annually

While the economic impact of the child-care industry in North Dakota is impressive, these data only reflect publicly-reported information. A large informal network of child care adds to the magnitude of the child-care industry as an important revenue and job creating segment of North Dakota's economy.



## **Policy Implications: Quality, Affordable Child Care**

Clearly North Dakota's child-care industry plays a significant, vital role in the state's economy. It contributes to state revenues and job growth and enables thousands of parents to remain in the labor force and support their households. Because North Dakota families are heavily involved in the labor force (including having one of the highest rates of multiple job holders in the nation)<sup>28</sup> and are employed at much higher rates than families across the U.S., it seems likely that North Dakota residents are more reliant on child care than most Americans.

In light of these trends, what kinds of changes in child care would best serve the needs of this state? First, since such a large proportion of our state's children have working parents, we suggest that **the state is best served by enhancing the quality of child care.** Research on the effects of child care shows that positive outcomes are dependent on high quality child care.<sup>29</sup> Maintaining and enhancing the quality of child care in a state with a well-educated child-care workforce should focus on addressing issues of low pay. This will, in turn, help stem the tide of high turnovers.

In addition, **North Dakota should increase access to affordable child care.** Our evidence indicates that the average family spends between 10% to 12% of their income on child care for one infant in North Dakota. According to The Urban Institute, families in the U.S. with a child under 13 spend an average of 9% of their earnings on child care. Of course, this proportion increases significantly for U.S. low-income families (14%) and poor families (18%). Their recent analysis notes that "even with free help from a relative or participation in a subsidized program, child care is a significant burden for low-income working families, probably ranking third in their budgets after shelter and food."<sup>30</sup>

### **Taking Action: Whose Responsibility is it?**

Child care is an investment in the future of our state. Greater access to high quality child care will enhance the lives of children, help businesses attract and keep employees, generate increased state revenues, contribute to the strength of our future state workforce, and strengthen the quality of life that North Dakotans currently enjoy. All citizens, including employers, the child-care industry, state and local governments, and parents can be catalysts for policies and programs that could assure a strong future for children in our state.

We encourage **businesses and other employers** to

- *urge the government to implement incentives for employers who support employee child-care plans or benefits and*
- *be a public advocate for increased access to affordable, high quality child care.*

We suggest that the **child-care industry**

- *create partnerships with organizations (such as T.E.A.C.H.) that support the development of high quality child-care personnel,<sup>31</sup>*



- *partner with small business development organizations to help child-care programs gain access to small business assistance and resources,*
- *increase professional development opportunities for child-care workers, and*
- *educate the public about the benefits of high quality child care.*

We recommend that **state and local governments**

- *utilize federal block grants to develop programs to raise the wages and benefits of child-care workers,<sup>32</sup>*
- *institute incentives (such as tax credits and program quality rating systems for parents) that support the development of high quality child-care programs and better paid staff,*
- *pass legislation that encourages businesses to support child-care plans for their employees, and*
- *create incentives for after-school and summer-care programs.*

We encourage **parents and the general public** to

- *encourage their state and local legislators to support child-care program incentives and tax credits and*
- *raise the issue of access to affordable, high quality child care with candidates for public office.*

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**North Dakota KIDS COUNT!**

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HB 1436A

#3 1-22-07

January 22, 2007

HOUSE FINANCE & TAXATION COMMITTEE  
HB 1436

REPRESENTATIVE BELTER AND COMMITTEE MEMBERS:

My name is Jack McDonald. I am appearing today on behalf of the YMCAs of North Dakota. We strongly support HB 1436 and urge your favorable consideration.

Day care needs are growing in North Dakota beyond anyone's comprehension. In Bismarck, the YMCA has a multi-million dollar addition to its building designed primarily for day care for infants and toddlers as well as other youngsters. The addition has been full from the day it opened and we currently have a waiting list for enrollment.

This type of legislation has been successful in other states. It proves helpful to employers, since it makes it easier for them to recruit and keep a happy, productive workforce. It helps families, since it allows varied work schedules. And, it helps children find a better and more structured care environment than simply having a babysitter coming into the home.

There wasn't a fiscal note posted prior to this hearing. I suspect this is because the Tax Department was faced with the uncertainties involved with this proposal. I don't believe you will see a mad rush of employers using this tool. Rather, it will be used selectively as employers see how it will assist them and their employees.

We respectfully urge a "do pass" from this committee.

If you have any questions, I'd be glad to try to answer them. THANK YOU FOR YOUR TIME AND CONSIDERATION.