Britt-Kaine Bipartisan Child Care Plan

Quality child care enables working parents of young children to participate in our economy and society. At the same time, their kids get the developmentally appropriate care they need to get off to a good start in life. However, for far too many families, child care is unavailable or unaffordable, putting strain and stress on families and limiting their ability to work or keep up with other commitments. In many states, infant and toddler care costs more than college tuition. At the same time, child care providers are struggling to keep their doors open. Workers in the labor-intensive field of early childhood education and child care make among the lowest wages of any occupation, resulting in significant turnover. This problem is further complicated by the fact that many parents who want child care cannot afford what it would cost to pay the wage rate to lower worker turnover.

Senators Katie Britt (R-AL) and Tim Kaine (D-VA) have offered a policy proposal that reflects the fact that there is broad agreement that access to quality child care is vital to children, families, and our economy. While we must do more to ensure that Child Care Development Block Grant dollars, Head Start classrooms, and Pre-K programs reach eligible families, there is a great deal Congress can do to address shortages of child care supply and cost burdens on working families through smart family-focused reforms to the tax code and wage incentive programs for child care workers. Virginia and Alabama provide two diverse examples of challenges currently faced by working families with young children, economies seeking essential employees, and child care worker shortages.

Alabama has had child care challenges that limit economic growth, with one of the lowest unemployment rates in the country (7th) but one of the lowest labor force participation rates (45th), and the AL House Commission on Labor Shortage indicated child care needs as a core barrier. Nearly 60% of residents live in "child care deserts," with the problem just as prominent in rural and urban areas. Estimates from 2022 put the average Alabama annual child care costs at over $7,000 per infant and toddler ($7,800 for center-based care), putting serious strain on even the median married couple. The typical single parent spends nearly a third of their income on child care costs for just one child. Meanwhile, the median childcare worker in Alabama makes less than $23,000 a year.

In Virginia, families pay some of the country's highest child care costs, with the average annual price of center-based infant care exceeding $15,000 in 2022. The vast majority of Virginia families with young children struggle to find and afford child care, with over 80% of Virginia families paying child care costs far over the recommended 7% of household income, even after broad-reaching substantial subsidies. Nearly half of VA families live in communities that could be classified as child care deserts, and early childhood educators earn just over $30,000 annually. A 2023 study estimated the annual economic impact of the infant-toddler child care crisis on Virginia was over $3.1 billion in lost earnings, productivity, and revenue.

The Britt-Kaine Bipartisan Child Care Plan is a bold, two-part policy proposal to lower child care costs for families, encourage businesses to support additional supply, and get more money to child care providers and the workforce directly. The **Child Care Availability and Affordability Act** modernizes three existing tax programs to lower costs for parents and businesses looking to provide child care, and the **Child Care Workforce Act** authorizes a pilot program to boost the supply of child care workers through wage-to-skill matching programs building on successful initiatives states and localities have implemented. The four elements of the proposal will increase the supply of quality child care, significantly reduce the cost burden for working families across the economic spectrum, and provide direct investment in workers providing vital care to our youngest generations and facilitating high labor force participation rates by their parents.

Specifically, the **Child Care Workforce Act** would establish a competitive grant program for States, localities, Indian Tribes, and Tribal organizations who are interested in adopting or expanding pay supplement programs for child care workers to increase supply and reduce turnover. Model programs exist in Virginia, Nebraska, Maine, and DC, with evaluations demonstrating large effects on the supply of child care workers, educator turnover, and worker well-being and satisfaction. Grantees would provide supplements to both home-based and center-based child care providers licensed by the state. It also requires an evaluation of impacts on turnover, quality of child care, availability of affordable childcare, and alleviating the financial burden on child care providers.

And the **Child Care Availability and Affordability Act** would do the following:

Child and Dependent Care Tax Credit (CDCTC)

The proposal increases the size of the Child and Dependent Care Tax Credit and makes it refundable, allowing lower-income working families with out-of-pocket child care expenses to benefit from the credit for the first time. The proposal substantially expands the maximum CDCTC to $2,500 for families with one child and $4,000 for families with two or more children.

It gets to these maximum credits by increasing the percentage of expenses deductible to 50% (currently 35%) and increasing the max creditable expenses to $5,000 for one child or $8,000 for two or more (currently $3,000 and $6,000). *National Academy of Science 2019 Roadmap to Reducing Child Poverty study estimated the refundability provision alone could reduce child poverty by roughly 10%, promote workforce participation and stable employment, and have the biggest impacts on single parents and Black families.*

Dependent Care Assistance Program (DCAP)

The proposal also strengthens the DCAP program, allowing families to deduct 50% more in expenses (up to $7,500). It also decouples the DCAP from CDCTC to allow eligible families to benefit from both when their child care expenses exceed the DCAP threshold. This will have big benefits for middle-income families who currently do not access the CDCTC but have particularly high child care costs. *In 2022, the average price of center-based child care for an infant in the United States was over $13,200, so a family paying even the median price could deduct $7,500 from their taxable income and then apply for the credit for the applicable percentage of costs above that.*

Employer-Provided Child Care Tax Credit (45F)

The proposal radically bolsters an underutilized Employer-Provided Child Care Tax Credit (often referenced as 45F), encouraging businesses to provide child care to their employees. The Kaine-Britt plan would increase the maximum credit to $500,000 (up from the current level of $150,000) and the percentage of expenses covered to 50% (up from 25%). It has a larger incentive for small businesses ($600,000) and allows for joint applications for groups of small businesses who want to pool resources. *While few employers have historically provided child care benefits and even fewer used the 45F credit, recent surveys indicate high interest among employers and employees in expanding access in ways that could substantially boost supply and ease cost burdens on working families.*