



February 21, 2024

To Whom it May Concern:

We are writing to encourage the Minnesota Legislature to work with us and across party lines to do more to help middle-income families afford quality child care. Specifically, we support the proposed measures for addressing child care affordability in HF 3681 and SF 3790 and view them as a necessary part of the solution to the child care crisis that Minnesota is facing.

**Impact on the Workforce of Today.** Minnesota is experiencing a very serious child care affordability and accessibility crisis. At a time when Minnesota businesses are struggling in the face of the most challenging labor shortage in decades, we continually hear that the lack of affordable child care is keeping Minnesota parents who want to work out of the workforce.

Minnesota families are facing child care bills that are larger than the cost of college tuition or a mortgage. These bills come at a time of life when young families simply have not had a chance to build up their earning capacity or savings.

Existing government child care subsidy programs currently have a steep eligibility cliff that leaves behind hard-working, middle-class families. For instance, if a family of four earns even one dollar more than the current eligibility level of about \$55,000 per year, they are unable to qualify for assistance. Because of this eligibility cliff, we are even seeing parents forgoing raises or extra hours to retain government program eligibility. This obviously creates a perverse incentive in the labor market.

**Impact on the Workforce of Tomorrow.** The lack of affordable, quality child care not only impacts today's workforce it also impacts the workforce of tomorrow.

Research indicates that children who can't access quality early learning programs using kindergarten-readiness best practices are disproportionately likely to start kindergarten behind, not catch up in later grades, drop out of school, generate life-long taxpayer expenses, and be unprepared to be the educated employees Minnesota businesses desperately need to win in the global economy. That's a huge long-term problem for Minnesota businesses, and the Minnesota economy upon which we all depend.

**Demand-Side Help is a Must.** The Minnesota business community is working on creative solutions to increase the supply of quality child care programs, and we know the state is too. However, after new programs are created, too often parents simply can't afford the tuition that is necessary for these new small businesses to cover operating expenses.

An academic paper recently released by the Upjohn Institute analyzed an increase in public funding for child care subsidies in Minnesota. It found that increasing public investment in support of helping parents access child care programs results in a significant increase in available child care slots. The fact that an increase in demand leads to an increase in supply is not a surprise to our members who see market forces at work every day, but this research proves the point to any skeptics.

It's abundantly clear to us that we need to work both sides of the equation: increasing demand by helping middle class families afford child care bills and continuing to work on the supply side to ease barriers to entry for start-up providers. Supply-side solutions are necessary, but they're not sufficient.

**Support Child Care Affordability Legislation.** For these reasons, we support HF 3681 and SF 3790, legislation that seeks to help make quality child care more affordable.

We appreciate that this legislation builds on the successful Early Learning Scholarship model, rather than creating yet another new program. The Scholarship approach has been proven effective and has earned unusually broad support from the Minnesota business community and a bipartisan group of state legislators. Another advantage of the model



CELEBRATING 150 YEARS OF MOVING BUSINESS FORWARD

is that it demands quality, meaning the use of kindergarten-readiness best practices. Children need and deserve quality programs, and economists stress that quality is necessary to maximize taxpayers' return on their investment (ROI).

Another key advantage of the Scholarship approach embedded in HF 3681 and SF 3790 is that it gives Minnesota parents the flexibility they need to find programs that fit their schedule, location and other needs and preferences. "One-size-fits-all" doesn't work for Minnesota parents, this proposal gives parents options.

We also appreciate that this bill was introduced without a specific appropriation level. We strongly support public investment in improving child care affordability. However, the size of the investment must make sense in the context of a fiscally responsible budget, both in 2024 and in subsequent years the Legislature works on this issue.

Thank you for considering our position on this critical issue. We look forward to working with you to improve child care affordability in Minnesota.

Sincerely,

Matt Baumgarter, MBA  
President  
Duluth Area Chamber of Commerce