



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

February 10, 2019

TO: The Honorable Senator Russell E. Ruderman, Chair
Senate Committee on Human Services

FROM: Pankaj Bhanot, Director

SUBJECT: **SB 736 - RELATING TO ON-SITE EARLY CHILDHOOD FACILITIES**

Hearing: Monday, February 11, 2019, 3:15 p.m.
Conference Room 016, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates the intent of the bill to expand capacity and access for Hawaii's families to early childhood facilities; however, we respectfully oppose the bill as currently drafted.

As drafted, the approach is complicated, and a regulatory challenge for implementing agencies and potential employers. For example it involves 3 agencies, provides funds and a position for 1 agency and no funds or positions for the other two agencies; also, the measure creates a definition of a child care facility outside Chapter 346, Part VIII, Child Care, Hawaii Revised Statutes (HRS), which is administratively problematic.

DHS does not have subject matter expertise regarding tax credits, or qualified costs, and would require an appropriation to develop, implement, procure, and provide oversight for a new program outside its current subject matter, including the hiring of staff with the requisite tax knowledge, and funds for IT system modification.

DHS is the regulatory authority for all licensed and registered child care facilities and homes statewide, and could provide information regarding the current licensing status

of the child care facility to a taxing agency or to the tax payer-employer or child care program.

DHS has no opinion regarding the feasibility of the tax credit and asks that any appropriation not replace or adversely impact budget priorities identified in the Executive Budget.

PURPOSE: This bill proposes to establish an income tax credit for employers who create on-site early childhood facilities. Establishes and appropriates funds for one On-site Early Childhood Facility Coordinator position with the Executive Office on Early Learning (EOEL).

DHS respectfully requests that: 1) since DHS does not have tax related expertise to determine whether the employer, which may not be the operator of the early childhood facility, qualifies for an income tax credit, DHS requests that it not be named the regulating entity of these tax related provisions, and if the measure continues, 2) the effective date be set after December 31, 2020 or later to give DHS appropriate time to make any necessary program, system changes, and develop administrative processes and rules.

If the proposed bill allows for the Department of Taxation (DoTax) to audit and adjust the tax credit to conform to the information filed by the taxpayer, then the information DHS maintains under the proposed section (c) may conflict with the information that DoTax actually approves for the taxpayer.

DHS would be able to provide the determining entity with the information as to the status of the child care facility's license upon request from that determining entity. However, this may require a system modification, an administrative process as well as operational costs for DHS.

If the proposed bill were to pass as drafted, DHS requests that the effective date for Section 2 apply to taxable years beginning after **December 31, 2020** or later, instead of the proposed December 31, 2019. The department's current program demands and efforts are focused on compliance of provisions of the federal Child Care Development Block Grant which provides approximately \$22 million in federal Child Care Development Fund grants. Section

(k) on page 8, lines 12-13, would also need to be revised to be “this section shall not apply to any amount paid or incurred before January 1, 2021.”

As referenced above, DHS is the regulatory agency of the state's child care system codified in Chapter 346, Part VIII HRS. DHS points out that the term “early childhood facility” proposed in this measure does not fall under any of the child care definitions established under section 346-151, HRS.

If the intent of the legislature is for the tax credit only to be applicable when an employer establishes an on-site group child care center, which includes both infant and toddler child care centers and group child care centers (i.e. preschools), then the bill should be amended to reference “group child care centers,” as defined under section 346-151, HRS, rather than using the term “early childhood facilities” which is currently not defined.

The proposed subsection (c) (2), on page 4, line 3, indicates that DHS shall “[v]erify the amount of qualified costs.” DHS respectfully requests that any review of qualified costs to acquire, construct, establish, and operate a group child care center be submitted to an entity that has expertise to review these kinds of capital improvement and fiscal documentation. If DHS were to procure the expertise through a consultant contract, DHS requires an appropriation to do so.

The proposed subsection (f)(2), on page 6, lines 5-15, indicates that “provided that the credit shall not be subject to recapture if the department of human services certifies that the employer ceased operating the facility for reasonable cause, including but not limited to going out of business, being forced to close the facility due to a natural disaster or other unforeseeable circumstances, and closing the facility temporarily with the intention of reopening it for a reason such as facility refurbishment or improvement.”

The measure requires clarification as to what other kinds of “unforeseeable circumstances” would be acceptable to force the facility to close and still allow the tax credit to be claimed. There are also circumstances that are foreseeable, such as the revocation of the license by DHS due to serious violations of health and safety standards that could be an acceptable reason to close the facility. DHS respectfully requests the Legislature to clarify if

revocation is a reasonable cause to cease operating the group child care center and still allow the tax credit to be claimed.

If the bill were to pass as drafted, DHS requests the Legislature establish one permanent full-time position and an appropriation of \$270,909 for State Fiscal Year (SFY) 2019-2020, with continued commitment from the Legislature for the position to become part of the DHS operating budget in FY 2020-2021 and beyond along with appropriations of \$129,000 for personnel and operating costs.

However, we ask that any appropriation not supplant fiscal priorities identified in the Executive Budget.

Thank you for the opportunity to provide additional comments on this bill.

LATE

SB-736

Submitted on: 2/11/2019 1:08:02 AM

Testimony for HMS on 2/11/2019 3:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	Testifying for O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i	Support	No

Comments:

LATE

Chair Senator Russel E Ruderman

Senate Bill 736

February 9, 2019

My name is Vera Maire Asato. I'm a licensed Home Childcare Provider. I've been providing Family Childcare for over 15 years in the Waipahu area. I'm writing to oppose this bill.

The reason why is because I feel that this bill is like a slap in the face and a stab in the heart for all the LICENCE HOME CHILDCARE PROVIDERS who are already taking care of the children in the state. In the past two years the State has been subjecting us to a lot of regulations. We are required to do 16 hours of training yearly. Which includes CPR, 1st Aid, Basic Health and Safety Practice, Food Safety and Handling, and Baby Sleep (which all persons in my household need to take, yearly). Not to mention if you're doing Patch Food Program, we need to do an annual mandator training. We do get announce and unannounced visited from both the State and Patch Food Program. Why aren't we a part of this solution? Getting our keikis ready for school? Who will take care for our keikis while parents need to work? Family Childcare Provider are never in the scope of helping nurture the keikis of Hawaii. Why create something out their when you already have something. Why not give us TAX CREDIT? We are the lowest paid when it comes to childcare payments. We're already set up and doing what is needed. Why aren't we ever consider in this whole Childcare business in the States eye? Funds

always goes somewhere else. I believe that children thrive better if they can be in a small setting. The more nurture they get in a Family Childcare Providers setting will help them to get a better start in life. I'm told by the parents that children that came to my care had adjusted well in preschool. Is this bill different from the Open-Door Policy? Where parents get funds to send their keiki to preschool. What's going on with that? Parents have help in getting them ready for school. Why aren't parents using Open-Door funds to get their preschooler ready for kindergarten. Are you inventing something that is there for the parents to prep their keiki for school? We all know that there is a shortage of childcare providers and it's not going to get better. It would be nice if we can start with this bill to make a difference in the lives of children in Hawaii. Let's find a solution in helping working parents in Hawaii still be working. With all the requirements State is implementing on Family Childcare Providers it would truly be appreciated if the State would find a way to work with us in a respectful situation.

What about parent responsibility? They should be the one to get them ready for school. If they aren't/can't go to preschool. They should be a campaign out theirs educating parents on getting our keiki ready for KINDERGARTEN.

Thank you for the opportunity to testify in oppose of this bill.

Vera Marie Asato

94-1023 Mawaho Street

Waipahu, HI 96797

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Senator Russell E. Ruderman, Chair
Senator Karl Rhoads Vice-Chair
Senate Committee on Human Services

LATE

Monday, February 11, 2019, 3:15 PM, Conf. Room 016

Support for SB 736, Relating to On-Site Early Childhood Facilities

Aloha, my name is Danny Goya I am the project manager of PIDF's Ka Pa'alana Homeless Family Education Program, but I am here today speaking as an individual citizen and not here to represent PIDF. I am submitting this testimony to express my very strong support for the funding of on-site early childhood facilities.

One of the greatest obstacles for families with young children is affordable and accessible childcare. Hawai'i has one the worse statistics in country regarding accessible early childhood education and childcare. According to the University of Hawai'i Center on the Family, in East Hawai'i Island, 74 three year olds compete for one spot!

National statistics show that employers that have on-site childcare increase employee attendance, production and satisfaction. This childcare tax-credit will positively affect the family with the young child and the employer, however there is another outcome to this tax-credit bill. If a family currently uses a childcare agency, it will open that seat up if their employer accesses this tax credit opportunity.

Please support SB 736.

Mahalo,

Daniel Goya

Senate Committee on Human Services
Senator Russell E. Ruderman, Chair
Senator Karl Rhoads, Vice Chair



Monday, February 11, 2019, 3:15 PM
Support for SB 736

Relating to On-Site Early Childhood Facilities

Aloha, my name is La‘akea Yoshida and I am the Chief Operating Officer at the Institute for Native Pacific Education and Culture (INPEACE). I am not writing on behalf of INPEACE, but as an individual concerned with the needs of working families. Thus, I am submitting this testimony to express my very strong support for the funding of on-site early childhood facilities.

Many of Hawai‘i’s families struggle with childcare that is affordable and accessible. Working families are constantly struggling to find the best and most affordable childcare for their keiki; and, with many parents working multiple jobs to provide for their families, the need for infrastructure that supports access to high-quality childcare is vitally important to not only families, but our economy as well. For example, JLL’s “Workplace Powered by Human Experience” study argues that 84% of parents whose workplace provided on-site childcare were more engaged at work, and that those parents reported having a high work-place satisfaction rating.

Therefore, this tax-credit can impact the lives of families in positive, far-reaching ways: easy access to childcare at work and increased parent workplace satisfaction—both of which can have long-lasting impacts on early childhood education and workforce stability in the state.

Additionally, employer provided on-site early childcare facilities could increase the number of early childcare spaces available at childcare agencies, if the employer accesses this tax credit opportunity. Parents choosing to use on-site early childcare facilities at work would open seats their children would otherwise be occupying, leaving more spaces for other families’ children.

Please support SB 736.

Mahalo,

La‘akea Yoshida

LATE

SB-736

Submitted on: 2/11/2019 10:41:46 AM
Testimony for HMS on 2/11/2019 3:15:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Monica Waiiau	Individual	Support	No

Comments:

Aloha Committee Members,

I am writing in support of SB 736. This is a testimony as an individual/private citizen.

Between my husband and I - we work 2 fulltime jobs and 2 part-time job. Having children has been a lifelong dream but the financial burden of child care and general high cost of living is a great concern to us. This financial weight has forced us to consider the possibility of not having children at all. Sacrificing parenthood? That is a frightening thought. But the reality is that we cannot afford child care.

Currently, the only option is for me to leave my career and become a stay-at-home-mom. Child care cost more than I earn between both of my jobs. While leaving my job to become a stay-at-home-mom would solve the problem of costly childcare, our household will lose 50% of our earned income. That is not a solution at all.

SB 736 is the best solution I've seen in a very long time.

SB 736 would lift a heavy burden from many families struggling to pay for quality child care. In my work at Ka Pa'alana Homeless Family Education Program, I witness the daily challenges of our homeless and at-risk families. Many of the parents in our program struggle to find employment because they can't afford childcare for their young keiki. SB 736 is especially imperative for these families struggling to bring themselves up and out from destitute towards living healthy and happy lives. This should be something we strive for – not just for ourselves, but for all of our community.

I thank you for your dedicated work and efforts towards the wellbeing of Hawai'i.

I strongly support SB 736, and I ask that you do, too.

Me ka mahalo nui,

Monica Waiiau

LATE

The Senate Committee On Human Services

The Honorable Senator Russell E. Ruderman, Chair
Senator Karl Rhoads, Vice Chair
Members of the Committee

SUBJECT: TESTIMONY IN FAVOR OF SB736, RELATING TO ON-SITE
EARLY CHILDHOOD FACILITIES

Hearing: Monday / February 11, 2019
3:15 pm
Conference Room 016, Hawai'i State Capitol
415 South Beretania Street

Aloha Senator Ruderman, Senator Rhoads, and members of the committee,

As a mom of two, I've experienced the importance of early learning. From birth, my children were blessed and fortunate to have had the opportunity to have access to a high quality early childhood facility. Overall I feel that businesses and associates will benefit greatly from this. It'll help a family grow in education for one's child and parent or caretakers grow professionally, in turn a business will grow and the community will thrive. It's a win, win all around.

Please support S.B. 736.

Thank you for the opportunity to provide testimony in support of this measure.

Mahalo Nui,

A handwritten signature in black ink, consisting of a series of loops and a wavy line, positioned below the text "Mahalo Nui,".

The Senate Committee On Human Services

The Honorable Senator Russell E. Ruderman, Chair

Senator Karl Rhoads, Vice Chair

Members of the Committee

SUBJECT: TESTIMONY IN FAVOR AND SUPPORT OF SB 736, RELATING TO ON-SITE EARLY
CHILDHOOD FACILITIES

Hearing: Monday / February 11, 2019

3:15 pm

Conference Room 016, Hawai'i State Capitol

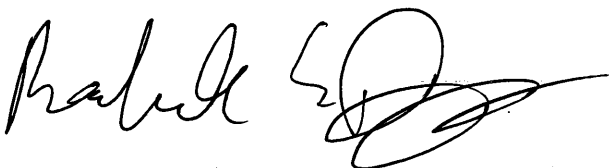
415 South Beretania Street

Aloha Senatory Ruderman, Senator Rhoads, and members of the committee,

I am writing in support of SB736. It is difficult for parents of young children to provide for their family when the cost of living is so high therefore leading both parents to enter the workforce. With both parents needing to work, those of which have young children now have more money outgoing due to childcare. It would be ideal for more employers to provide their employees with adequate childcare within their facilities not only to secure their workers' employment, but it will also boost overall work performance by relieving the stresses of seeking out childcare. While the employer can continue to run their business due to full and secure staffing, the employee becomes more reliable and efficient since they have one less worry about paying for and seeking out childcare for their child. If more programs would incorporate this into their business then it is more likely that it would promote a more satisfying work experience that also benefits children's early childhood learning experiences creating an all around wholesome experience for everyone.

Mahalo,

Marchele Rapoza

A handwritten signature in black ink, appearing to read 'Marchele Rapoza', with a stylized flourish at the end.

The Senate Committee On Human Services

The Honorable Senator Russel E. Ruderman, Chair

Senator Karl Rhoads, Vice Chair

Members of the Committee

SUBJECT: TESTIMONY IN FAVOR OF AND SUPPORT FOR SB 736, RELATING TO ON-SITE EARLY CHILDHOOD FACILITIES.

HEARING: Monday / February 11, 2019
3:15 pm
Conference Room 016, Hawai'i State Capitol
415 South Beretania Street

Aloha Senator Ruderman, Senator Rhoads, and members of the committee.

My name is Myra Halpern and I am in support of SB736. Finding childcare continues to be one of the many challenges and burdens of working parents of young children. Therefore, I believe that this bill will relieve the burden of parents who choose to work. Upon employment, employees will feel secure in knowing that their child will have a safe place to learn in an early childhood learning environment. Also, work attendance may improve. Furthermore, when parents are relieved of the challenges of finding childcare, positive work performance and attitude may increase and promote workplace harmony.

I support SB736.

Thank you for the opportunity to provide testimony in strong support of this measure.

Mahalo A Nui Loa,



Myra Halpern

Assessment Specialist

Ka Pa'alana

The Senate Committee on Human services

The Honorable Senator Russell E, Ruderman, chair

Senator Karl Rhodes, Vice chair

Members of the committee

SUBJECT : TESTIMONY IN FAVOR AND SUPPORT OF SB-376, RELATING TO ON SITE- EARLY CHILDHOOD FACILITIES.

HEARING: Monday/ February 11, 2019

3:15

Conference Room 016, Hawai'i State Capital

415 South Beretania Street

Aloha Senator Ruderman, Senator Rhoads, and members of the committee,

I am writing in support and acknowledgement in House Bill 736. There is such a need for more early childhood facilities. The tax credits that are proposed in this bill will help incentivize young upstart entrepreneurs to motivate them to open new businesses to create jobs for our local economy. And also providing essential services for Hawaii families. By providing a safe and productive place of learning for our future generations, thank you.

Mahalo

Christian Marks

Handwritten signature of Christian Marks in black ink.