



January 28, 2022

Senator Lou Ann Linehan, Chair
Members of the Revenue Committee
Nebraska Legislature

RE: LB702

Chairwoman Linehan and Members of the Revenue Committee,

My name is Elizabeth Everett and I am the Deputy Director of First Five Nebraska. First Five Nebraska is a statewide public policy organization focused on policies that promote quality early learning environments for our youngest children. I am here today to testify in support of LB702 and would like to thank Senator Williams for introducing this important legislation.

As Senator Williams mentioned in his opening statement, Nebraska's child care system is facing serious challenges that have implications for our state as a whole. COVID-19 has destabilized the child care marketplace, resulting in significant attrition in our early childhood professional workforce and licensed child care programs. We know that these challenges have cascading social and economic effects. They undercut the ability of parents to re-enter the workforce, provide for their families and meet the needs of Nebraska employers. In a larger sense, they also undercut our ability to market Nebraska communities as desirable places to put down roots, raise a family, pursue a career or grow a business.

While emergency federal assistance can help shore up weaknesses in Nebraska's child care system in the short term, we also need to adopt incentives to recruit, retain and develop a skilled early childhood workforce over the long term.

Nebraska is one of only two states in the nation to offer both refundable and nonrefundable credits to encourage early childhood educators and business owners to remain in this crucial industry. As Senator Williams explained, the refundable credit is intended to benefit child care employees, while the nonrefundable credit primarily benefits child care businesses. The qualifications and tiers for the different tax credit amounts are outlined in the policy brief I've provided to the committee. We've seen growing usage of both tax credit types since they were initially adopted in the legislature. However, with the sunset of the School Readiness Tax Credit program taking place in the 2021 tax year, we'd be losing one of the few existing incentives our state offers to child care professionals and programs.

This past summer, First Five Nebraska worked with Senator Stinner on LR162, an interim study to examine providers' attitudes toward the tax credit program, and how it could be improved. Overall, we found that the majority of the providers we spoke to want the School Readiness Tax Credit to continue. Many of these professionals felt the program was an indicator of their value to their communities and state, and indicated that the tax credits encouraged them to remain in the child care industry rather than seek opportunities elsewhere. In fact, the number of individuals claiming the refundable credit specifically increased by 234% since 2017, demonstrating rapidly growing interest in the tax credit program.

If the School Readiness Tax Credit is reauthorized, we expect to see the number of child care providers who take advantage of these incentives increase even further. To that end, we have worked with Senator Morfeld to introduce a companion bill—LB868—which would increase the flexibility of the base education requirement and help more providers become eligible for the refundable credit. At the same time, LB702 encourages more programs to participate in Step Up to Quality and more early childhood personnel to pursue additional training and work experience so they can qualify for the higher tiers of the tax credits.

The School Readiness Tax Credit is meeting its legislative goals by improving the quality of care and incentivizing more programs to remain open and more professional educators to remain engaged in the child care workforce. By extension, these successes are helping our state offer social, educational and economic opportunity for its residents. For these reasons, I hope you will vote LB702 out of committee.

Thank you again for the opportunity to testify today. I will be happy to answer any of your questions.

Sincerely,



Elizabeth Everett
Deputy Director
First Five Nebraska