

Gaining Ground in Louisiana: Updates on One State's Investments in Quality Child Care

Each year when we release our annual review of child care costs across the country, Child Care Aware® of America strives to elevate how states are working to finance quality child care in innovative ways. We are excited to report updates to tax credits and cost modeling studies in Louisiana in 2018:

School Readiness Tax Credits

Almost 10 years ago, Louisiana enacted a package of five separate tax credits called [School Readiness Tax Credits](#) that address families, workforce, and providers. The package of tax credits provide a total of around \$16 million in annual funding for early childhood and serve as a state match for federal child care development block grant funds. The package includes:

- ▶ **Provider Tax Credit:** A refundable credit for providers that participate in Louisiana's QRIS, and serve children in the subsidy program or foster children.
- ▶ **Teacher and Director Tax Credit:** A refundable credit based on education levels to support the workforce.
- ▶ **Family Tax Credit:** A refundable credit to families with incomes under \$25,000 who choose higher-quality child care. A nonrefundable version of this credit is available to families with incomes over \$25,000 who choose higher-quality child care.
- ▶ **Business Tax Credit:** A refundable tax credit for businesses that have provided funds to child care centers to support eligible child care expenses, based on the quality rating of the center.
- ▶ **Tax credits for donations to Resource and Referral Agencies.** Provides a credit for businesses matched to the amount donated to Resource and Referral agencies up to \$5,000.

The Louisiana School Readiness Tax Credits has incentivized ECE teachers to strengthen their credentials, incentivized local investments into ECE via tax credits and has supported small business child care centers. Between 2008 and 2015, teachers achieving a Teacher Level 1 credential increased from 963 to 3,598 – a **374% increase**. The number of teachers who attained higher credentials (at Pathway Levels 2, 3 and 4) **increased almost eight-fold** from 284 to 2,156.

Despite the tremendous difference the tax credits have made, particularly the Teacher-Director tax credit, in increasing the

number of quality early childhood educators across the state, researchers and key stakeholders found it had little to no impact on high turnover rates all-too-typical to the ECE field and did not incentivize directors to improve the quality of their centers. These findings led to the following key improvements for 2018:

- ▶ Louisiana recently has created an early childhood [ancillary certificate](#) that can be obtained after receiving a CDA (or higher credential); the tax credits were changed so that teachers with as little as this ancillary certificate are now eligible to earn up to ~\$3,300 annually for working at a publicly-funded center for more than 2 years.
- ▶ Directors can earn tax credits based on their site's performance as well as their own professional credentials. No director will lose their current credit status; changes will only add new options for moving up the director levels.

The Louisiana Department of Education released [a guide](#) and several FAQ documents for [staff and directors](#), [businesses](#), [parents](#) and for [child care providers](#) to make these changes clear and promote their use throughout the state.

Child Care as a Regional Return on Investment

As advocates and policy makers at the state level work to make the case for quality early childhood education, they are turning to regional and state research for evidence. The groundbreaking report [Losing Ground: How Child Care Impacts Louisiana's Workforce Productivity and the State Economy](#) documented the enormous impact of child care issues on Louisiana's workforce, businesses and the economy. Parents of young children across the state answered a series of questions about their workforce participation and child care issues, and economists used the results to estimate the economic impact of child care instability. They found that child care issues resulted in major economic costs to employers and a large, negative economic impact on the state. Some key findings:

- ▶ Almost half of parents, both men and women, missed work regularly due to child care issues during the 3 months prior to the survey.
- ▶ Employee absences and turnover costs due to child care issues cost Louisiana employers \$816 million a year. Louisiana loses almost \$84 million in tax revenue annually due to lost workplace productivity.
- ▶ Child care issues result in a \$1.1 billion loss annually for Louisiana's economy.

Others are also beginning to release child care economic impact studies of their own. Maryland has replicated this report in [Counting Our Losses: The Hidden Cost to Marylanders of an Inadequate Child Care System](#), and this fall, ReadyNation will be releasing the results of a nationally representative survey of parents' experiences with child care challenges for children birth to age 2, and the impacts of those challenges to their employment.

Researchers at the Louisiana Policy Institute for Children are partnering with the Louisiana Department of Education to further explore the true cost of quality child care in Louisiana. Researchers are surveying a representative group of child care providers to identify key differences in cost drivers based on child care setting type, size, quality rating, etc., revenue streams, and where there may exist gaps that providers and parents are subsidizing themselves. As they finalize their findings and report to the state, we look forward to continuing to elevate the important work being done in Louisiana to promote investment in a quality child care system for all children in the state.

