

The Louisiana Experience – Improving Quantity & Quality of Early Care

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January 27, 2009

The Challenge

- Support early childhood development
 - Build and support quality child care
 - Design a quality rating and improvement system
- Think of child care as a sector or industry
 - Economic Impact Analysis
- Make it work financially
 - School Readiness Tax Credits

Why Tax Credits?

- Tax policies can support the ends we want to achieve...
 - School Readiness
 - Quality Child Care
- Tax credits provide stability
 - Don't have to come back year after year to fight for appropriations
- Tax credits go directly to the consumer or provider
 - No middle person and less costly to the bureaucracy

Economic Impact



Investing in the Child Care Industry

An Economic Development Strategy for Louisiana



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Funded by
The Louisiana
Department of
Social Services

February
2005

Summary of Direct Effects

- There are 12,701 businesses, employing 22,644 workers, serving 149,000 children and generating approximately \$657 million in gross receipts.

Impact Analysis – Child Care Sector Compared to Other Sectors

- In Louisiana, Child Care has an economic impact (1.72) similar to
 - Motion picture and video industries (1.73)
 - Ship building and repairing (1.64)
 - Hotels-Motels (1.63)
 - Power generation and supply (1.47)

School Readiness Tax Credits

- Package of 4 Tax Credits
 - Credits to Providers
 - Credits to Directors and Teachers
 - Credits to Business for Supporting Child Care
 - Credits to Parents/Consumers

Provider Tax Credits

Tax Credits to Providers

- Providers will receive a tax credit based on the number of children they serve in the Child Care Assistance Program (or in foster care)
- Refundable credit
- Both for-profit and non-profit centers are eligible

Tax Credits to Providers

Star Rating	Tax Credit (per child in CCAP/foster care)
★★★★★	
★★★★	
★★★	
★★	
1 Star (or not participating)	

Tax Credits to Providers

Star Rating	Tax Credit (per child in CCAP/foster care)
★★★★★	\$1,500
★★★★	\$1,250
★★★	\$1,000
★★	\$750
1 Star (or not participating)	No credit

Tax Credits to Teachers

Tax Credits to Directors and Teachers

- Refundable credits
- Based on the level of education
 - Must be working at a center participating in the rating system
 - Must work there at least 6 months
 - The star rating of the center does not impact this credit

Tax Credits to Directors and Teachers

Child Care Director and Staff Qualification	Tax Credit
Level 4	
Level 3	
Level 2	
Level 1	

Tax Credits to Directors and Teachers

Child Care Director and Staff Qualification	Tax Credit
Level 4	\$3,000
Level 3	\$2,500
Level 2	\$2,000
Level 1	\$1,500

Employer/Business Tax Credits

Tax Credits to Business

- Employers receive a credit for “eligible child care expenses” based on the quality rating of the center
- Refundable credits

Tax Credits to Business

Star Rating	Tax Credit
5 Star	
4 Star	
3 Star	
2 Star	
1 Star (or not participating)	

Tax Credits to Business

Star Rating	Tax Credit
5 Star	20% of eligible expenses
4 Star	15%
3 Star	10%
2 Star	5%
1 Star (or not participating)	No credit

Tax Credits to Business

- Eligible Expenses

- 1) Employers who construct, renovate, or expand a child care center, purchase equipment for a center, or maintain and operate a center may claim up to \$50,000 in expenses.

Tax Credits to Business

- Eligible Expenses

2) Employers may claim up to \$5,000 for expenses for each child for whom the employer pays for child care services to support employees.

Tax Credits to Business

- Eligible Expenses

3) Employers who purchase child care slots actually provided or reserved for children of employees may claim up to \$50,000 in expenses.

Tax Credits to Business

- Eligible Expenses

4) Employers may claim a tax credit for up to \$5,000 in grants to child care resource and referral agencies.

- This credit is dollar for dollar.
- Maximum is \$5,000

Tax Credits to Parents/ Consumers

Tax Credits to Parents

- Builds on the existing state child care tax credit.
 - Applies only to children less than six years old.
- Families are eligible for an increased tax credit based upon the quality rating of the center.

Tax Credits to Parents

Star Rating	Increase to Existing State Tax Credit
★★★★★	
★★★★	
★★★	
★★	
1 Star (or not participating)	

Tax Credits to Parents

Star Rating	Increase to Existing State Tax Credit
★★★★★	200%
★★★★	150%
★★★	100%
★★	50%
1 Star (or not participating)	No Change

Fiscal Note

- Tax Credits to Providers
 - \$3.8 million
- Tax Credits to Teachers/Directors
 - \$2.0 million
- Tax Credits to Business
 - \$500,000
- Tax Credits to Parents
 - \$.87 million

Fiscal Note

- 2008-09
 - \$7.1 million
- 2009-10
 - \$10.6 million
- 2010-11
 - \$24.7 million
- 2011-12
 - \$25.8 million

Similar Efforts in Other States

- Other states have
 - State child care tax credit, and/or
 - Child care related tax credits for businesses

Similar Efforts in Other States

- Georgia
 - State child care tax credit
 - In 2008, 30% of federal child care tax credit
 - Employers who provide or sponsor child care
 - Employers who purchase qualified child care property
- Maine
 - Doubles the state child care tax credit if the child care center has a Quality Certificate.
- Vermont
 - Doubles the state child care tax credit if the child care center is nationally accredited.

What is Different

- Tax credits vs. Deductions
- Refundable vs. Non-refundable
- Comprehensive

Where Are We Now

Where Are We Now

- Tax credits in place as of 1/1/08
 - Benefits will be seen when taxes are filed in the spring of 2009
- Survey of all child care providers
 - As of April 2008, 60% had never heard of the School Readiness Tax Credits

Where Are We Now

- Developed web site and flyers
 - www.qrslouisiana.com
 - See School Readiness Tax Credits tab
- Over 35% of providers have earned at least 1 star as of January 1, 2009

Where Are We Now

- Teachers/Directors
 - 1209 are Level 1-4
 - 866 tied to a star rated center
 - 343 not connected to a star rated center

Conclusions



5 IDEAS FOR CHILDREN FIVE YEARS AND YOUNGER

By Jennifer Stedron and Steffanie Clothier

June 2008

Why Are States Interested in the Birth to Age 5 Years?

A child's experiences in the first five years build the critical foundation for future success in school and later life. It's a fact that children who enter kindergarten ready to meet the academic, social and emotional demands are more likely to become economically productive and engaged citizens. Likewise, the majority of children who begin school at risk often continue to struggle, and remediation of learning difficulties becomes increasingly challenging in later years.

More than half the achievement gap found between children from economically advantaged and disadvantaged families in later school years is already present when children first walk through the kindergarten classroom door. Indeed, the early years of life mark the greatest period of brain development in the lifespan. Strong relationships and enriching experiences during this period greatly increase the likelihood that children will be ready for formal learning opportunities and on the road to developing critical non-cognitive skills (e.g., perseverance, motivation).

If early experience is critical to academic success and productive adulthood, the public has a large stake in ensuring that children's

5 Policy Options

- Ensure that the children to be served drive program decisions.
- Promote early learning and development in child care and preschool.
- Build the skills of teachers and caregivers.
- Support effective parenting.
- Strengthen birth-to-five infrastructure.

5 Ideas for Children Five Years and Younger

- NCSL report – June 2008
 - *By Jennifer Stedron and Steffanie Clothier*
 - www.ncsl.org/print/cyf/fiveideasforchildren.pdf
- “...children who enter kindergarten ready to meet the academic, social and emotional demands are more likely to become economically productive and engaged citizens.”
 - “Likewise, the majority of children who begin school at risk often continue to struggle, and remediation of learning difficulties becomes increasingly challenging in later years.”



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Thank You

Questions/Comments

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