Vermont Blue Ribbon Commission

Financing High Quality Affordable Child Care

Summary of Best Practices Research

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PCG Human Services
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The following is a compilation of other state's best practices collected by Public Consulting Group, Inc. (PCG) through a scan of national best practices of child care affordability and financing. All information was presented to the Vermont Blue Ribbon Commission on Financing High Quality Affordable Child Care.

Introduction

Early care and learning profoundly effects our society. Yet for many families and for many states, the access to and investment in early care and learning is deficient.

This document serves as a resource for best practices on the current issues of affordability, financing, and economic impact of early care and learning in the United States.

Affordability

According to the national common metric for affordability, a family should spend is no more than 7 percent of its income on child care[1]. Previously, the nationally standard cutoff for affordability was 10 percent. The "Parents and The High Cost of Child Care 2015 Report" from Child Care Aware ranked all 50 states on affordability: Louisiana is the only state where child care costs are less than 7 percent of income for a two income household. In more than 40 percent of states, child care cost more than 12 percent of a family's monthly income.[1]

The average cost of child care for infants and toddlers is most expensive in Massachusetts and least expensive in Mississippi.[1]

To increase accessibility to child care, states must rely on federal funding and subsidy programs to assist families. Federal guidance from the U.S. Department of Health and Human Services recommends states establish rates that allow assisted families access to at least the 75th percentile of the child care market.

Financing

There are numerous ways to increase funding for early childhood programing and quality child care. Below is a quick overview of ways states are increasing funding.

Business Community Partnerships and Tax Incentives

In 2007, **Louisiana** passed the LA School Readiness Tax Credit (SRTC) allowing significant tax breaks to families, child care providers, child care directors and staff, and businesses that support child care. This tax credit is both refundable and nonrefundable, so for-profit and not-for-profit organizations can benefit from the program.[2] Incentives include:

- The Credit for Business-Supported Child Care provides a refundable tax credit to businesses who provide direct monetary support to child care programs. Eligible support includes funding for construction/renovation expenses, payments for the support of employees, and purchases of child care slots. The amount of tax credit is tied to QRIS; the higher the child care program's quality (as determined by QRIS), the greater the tax credit for the business.
- A tax credit is also available for donations to CCR&R agencies. The credit is equal to the amount donated, but cannot exceed $5,000 per year.
- Child care providers can receive between $750-$1,500 per subsidy-participating or foster care child, based on star rating.

[1] Child Care Aware. *Parents and the High Cost of Child Care: 2015* <http://usa.childcareaware.org/advocacy-public-policy/resources/reports-and-research/costofcare/>

[2] http://revenue.louisiana.gov/IndividualIncomeTax/SchoolReadinessTaxCredit

- Directors and staff are eligible for a refundable tax credit based on education level, ranging from $1,630-$3,260.[3] The average salary in the state of a preschool teacher is $29,000, so this additional tax credit is an effective subsidy for teacher salary in the state.[4]
- Parents, also, receive a refundable tax credit based on program rating and income, with an average of $221 per child enrolled.[2]

Public Private Partnerships

The **Florida Child Care Partnership Act** passed in 1996 as part of the state's welfare reform policies. In this program, federal and state funds are matched on a dollar-to-dollar basis with local government, foundational, and private businesses to fund child care subsidy programs in the state.

In 2006, the Oklahoma legislature appropriated funds for the **Early Childhood Pilot Program for Infants and Toddlers**.[5] With the central goal to improve early education program quality for at-risk children (as measured by Reaching for the Stars, Oklahoma's QRIS), it eventually raised $10 million in 2007 in state funding and $15 million in private funding.

Since 1994, **North Carolina Smart Start** raised $382 million through in-kind contributions from the private sector. Smart Start funded numerous initiatives: the development of an online professional development system (fabrikONE™), child health awareness activities including increased health and developmental screenings and referrals, and promoting child brain development awareness campaigns. Through NC Smart Start, local community college instructor positions are funded for early childhood education classes until the classes see enough enrollment and funding to independently fund the classes.

License Plate fees

Since 1998, **Massachusetts** has raised more than $4 million from a special license plate that raise funds for early childhood programs.

Taxes and fees through tourism

Aspen, Colorado (and serving all of Pitkin County, CO) applied a 0.45% sales tax throughout the city that pays directly into their "Kids First" Programs.[6] The tax revenue goes to Kids First Programs, which provides funding for financial aid, child care program funding, trainings and technical assistance, professional development, quality improvement coaching, and more.

Endowment Funds

In 2006, **Nebraska** passed a state constitutional amendment allowing dedicated endowment fund to be used for the support of early childhood and education programming. This fund constitutionally required an initial $20 million of private funding to be contributed (which was met in 2011); and saw $40 million of perpetual school funds from the state also dedicated.

Voluntary income tax

Colorado was one of the first to pass a voluntary income tax check off diverting funds for quality enhancement of child care programming in the state. Between 1998-1999, Colorado raised an additional $237,000 of revenue earmarked entirely for quality enhancement in Colorado after the passage of this voluntary income tax.[7] However, additional funding from this source tends to be unstable and declines after the first few years of implementation.

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[3] http://www.qrslouisiana.org/child-care-staff/tax-credit-requirements
[4] http://www.indeed.com/salary/q-Preschool-Teacher-l-Louisiana.html
[5] file:///C:/Users/zwyrick/Downloads/NPT-Public-Private-Partnership-State-Examples.pdf
[6] http://aspenpitkin.com/Departments/Kids-First/Providers-/Kids-First-Programs/
[7] Mitchell, Anne; Stoney, Louise; Dichter, Harriet. "Financing Child Care in the United States: An Expanded Catalog of Current Strategies." *Ewing Marion Kauffman Foundation*. Retrieved from: http://sites.kauffman.org/pdf/childcare2001.pdf

Earmarking Lottery revenue

South Dakota has one of the highest lottery revenue contribution rates to the Education fund in the country. Currently, 74 percent of lottery revenue is diverted to the state's Education fund.

Property Taxes

In **Florida,** nine counties created "Children's Services Councils" (CSC) which invest property tax dollars in the well-being of their community's children and families. The largest participating county is Miami-Dade County. In the majority of these counties, the tax is collected by an independent agency. In 2014-2015, the Palm Beach County CSC's total budget, collected from revenues, was $122.1 million; 89 percent goes directly into local programs for children and families