



**Funding Our Future with LA B to 3:
Sustaining and Advancing a Thriving
Early Care and Education Sector**

February 2023

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The Louisiana Department of Education's Office of Early Childhood worked with the Commission's legislative chairs to provide experts, resources, and presentations for three Commission and four Task Force meetings. Every meeting was open to the public and a recording was made available. The video link and meeting agenda were posted according to the State's open meeting law. Archived video links, agenda, and materials are publicly available on www.LouisianaBelieves.com.

INTRODUCTION

In 2022 there were a record number of Louisiana children aged 4 and younger from economically disadvantaged working families with access to publicly funded quality early care and education programs. However, this success will be short-lived without additional funding, as thousands of children will lose access to child care when millions of dollars in federal relief funding expire in 2023. Louisiana has an important choice to make: **If the state does not replace this funding, more than 16,000 children will lose access to critically important early care and education. This will create cascading effects throughout Louisiana's economy as:**

- › Working parents lose child care, which may leave their employers without reliable staffing, leading to parents losing their jobs
- › Small businesses—both child care businesses and other small businesses dependent on workers having reliable child care—are forced to close across the state
- › Early care and education professionals lose jobs as early learning classrooms and businesses close
- › Thousands of economically disadvantaged young children lose access to critical early care and education at a time when they are already at increased risk of falling behind in school due to the lasting impact of COVID-19

At the same time, localities have diligently raised millions of dollars to expand access to high-quality early care and education and receive a dollar-for-dollar match from the Louisiana Early Childhood Education Fund. Localities anticipate to draw down more than half the fund's current balance in 2023-2024, and at least as much in 2024-2025, putting the state at risk of defaulting on its promise to match local funding in 2024-2025 without additional fund investment. These challenges come alongside an increasingly urgent need to address the shortage of early care and education professionals as low pay threatens to drive more trained educators out of the field.

We cannot go backward. We must invest now to stabilize and strengthen the early care and education sector so Louisiana parents can join and remain in the workforce, local economies can thrive, and all young children can get on a path to lifelong success.

- › **173,000 total economically disadvantaged children from birth through age 3 in Louisianaⁱ**
- › **114,000 economically disadvantaged children without access to a high-quality early care and education program in Louisianaⁱⁱ**
- › **\$760M annual loss faced by Louisiana employers from employee absences and turnover due to child care issuesⁱⁱⁱ**
- › **\$1.3B annual loss faced by Louisiana's economy from employee absences and turnover due to child care issues^{iv}**

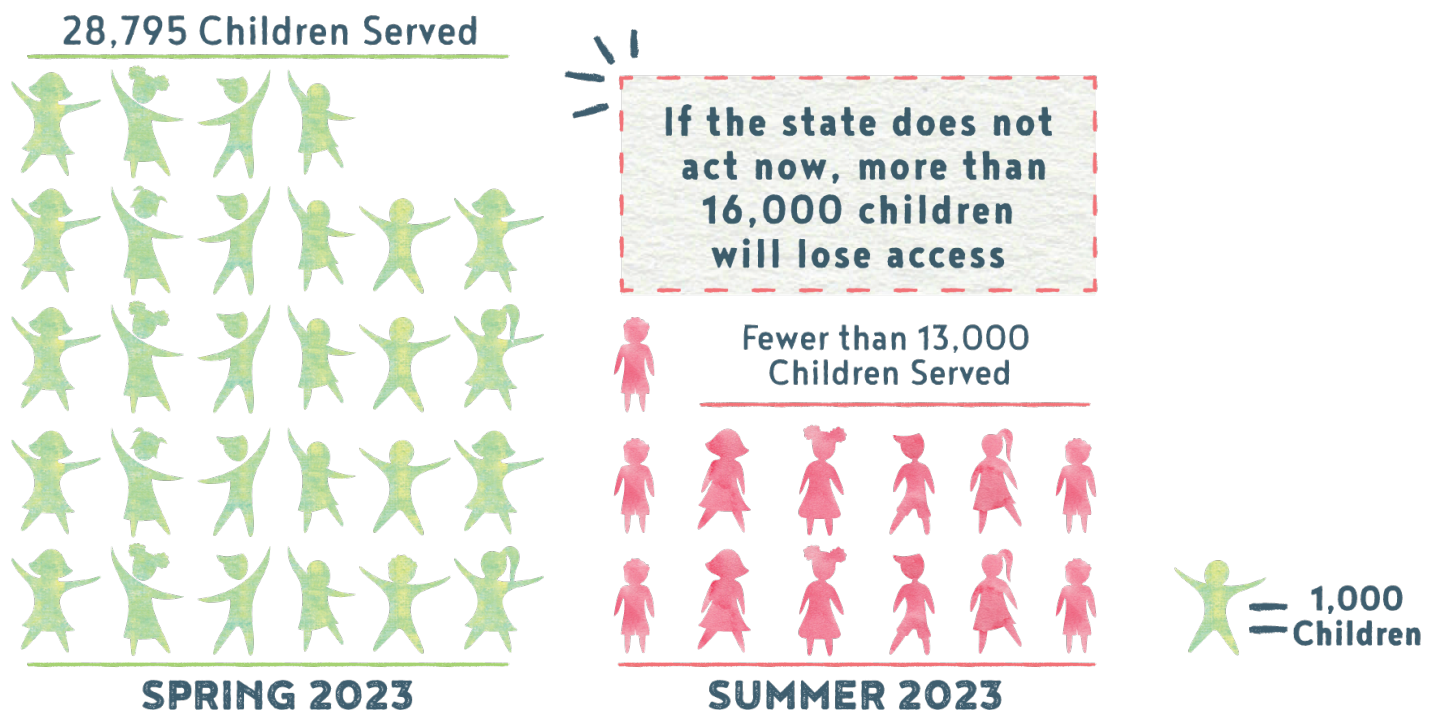
Our state has an opportunity to look forward and invest wisely now in support of a bright future for Louisiana children, working families, early childhood teachers, and employers. To this end, the Early Childhood Care and Education Commission recommends the Louisiana State Legislature:

- 1. Invest \$200 million now and annually to replace expiring federal relief dollars and prevent more than 16,000 children from losing quality early care and education, which will compromise their parents' ability to work and will hurt our economy.**
- 2. Make an additional \$115M down payment to decrease the number of unserved children and working families in Louisiana.**
- 3. Appropriate 10 percent of state excess funds from the 2022-2023 fiscal year to the Early Childhood Education Fund in 2023 to match and incentivize local investment.**

In looking forward, the Louisiana State Legislature should support efforts by local governments to generate local revenue for access to high-quality early care and education as well as encourage collaboration across the state to identify and implement solutions to the growing workforce crisis of low pay and benefits for early care and education teachers and professionals.

RECOMMENDATION 1: Invest \$200 million now and annually to replace expiring federal relief dollars and prevent more than 16,000 children from losing quality early care and education, which will compromise their parents' ability to work and will hurt our economy.

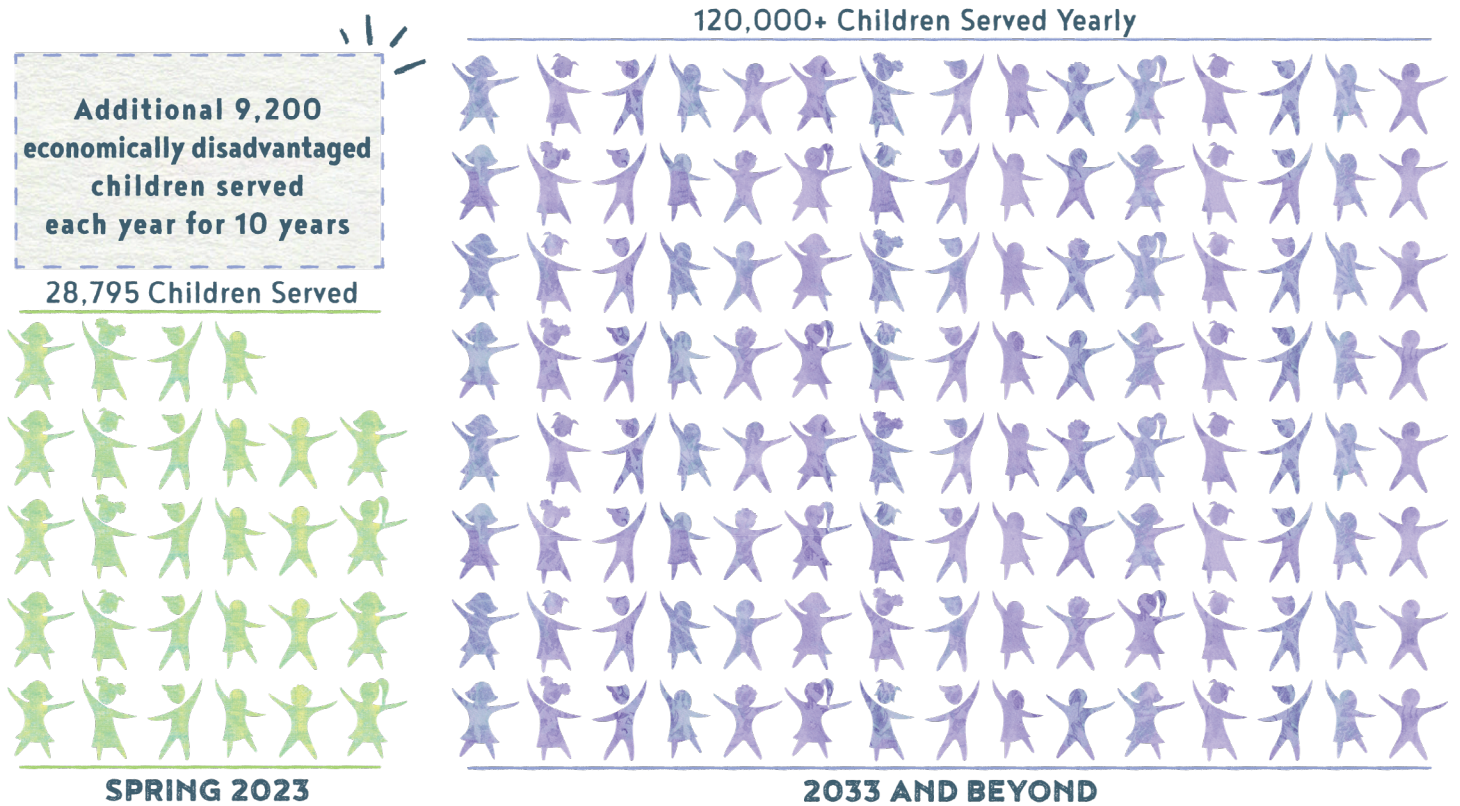
Over the past three years, Louisiana received federal relief dollars, which allowed the state to serve more than an additional 16,000 children aged birth to 4, bringing the total number of children served by the Louisiana Department of Education to 28,795^v. To put it into perspective, 16,000 is approximately the total population of Louisiana cities Opelousas and Thibodaux. This change is illustrated in the graphic below. This critical funding helped early care and education providers weather the pandemic storm and expanded access to previously out-of-reach early learning supports for thousands of Louisiana's working families. By expanding access to affordable, high-quality care, it also allowed thousands of parents and caregivers to return to or join the workforce, bolstering the state's economy and recovery. These children, working families, and vital businesses need our help: An immediate and recurring \$200 million investment will ensure that children's outcomes and families' ability to work and contribute to our economy are not destabilized.



RECOMMENDATION 2: Make an additional \$115M down payment to decrease the number of unserved children and working families in Louisiana.

Relief dollars provided a temporary reprieve for Louisiana from the ongoing instability that plagues the early care and education sector. As the Commission underscored in its 2022 report to the Louisiana State Legislature^{vi}, without an ongoing and increasing investment from the public sector, early care and education providers cannot balance the cost of delivering quality early care and education with working families' capacity to pay the true cost of that care. The reality is that early childhood care and education investment brings a huge return on investment: Every dollar Louisiana invests in high quality birth-to-five programs for economically disadvantaged children delivers a \$12.90 annual return on investment per child^{vii}.

In 2022, the Louisiana State Legislature signaled its commitment to early care and education by allocating \$25 million for the Child Care Assistance Program (CCAP) and \$18 million to increase four-year-old program rates. However, to ensure that all economically disadvantaged children in Louisiana can receive high-quality early care and education, there must be an additional investment of \$115 million per year over 10 years, for an eventual total investment of \$1.15 billion per year to serve 92,000 additional children. The graphic below illustrates the impact over time of this sustained investment.

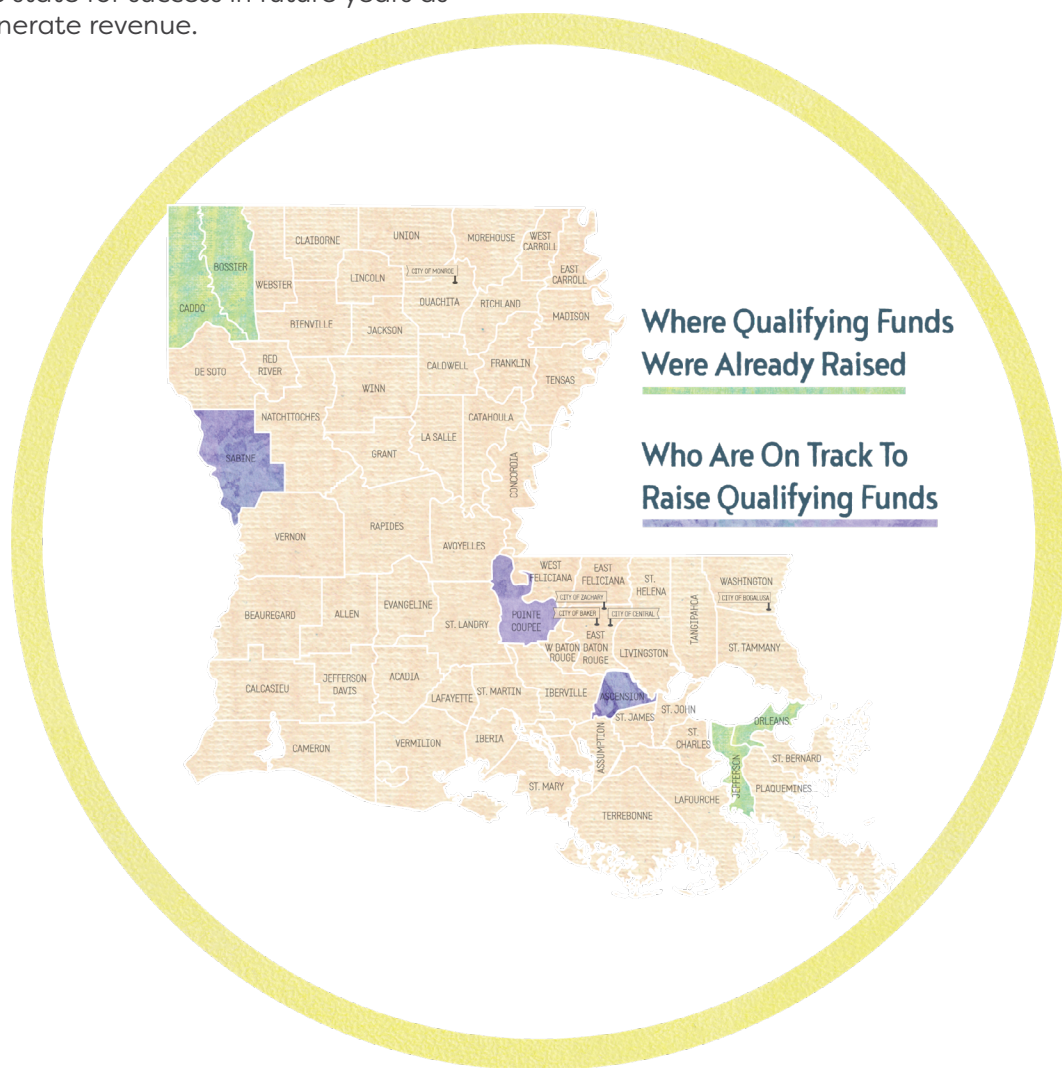


RECOMMENDATION 3: Appropriate 10 percent of state excess funds from the 2022–2023 fiscal year to the Early Childhood Education Fund in 2023 to match and incentivize local investment.

The state must continue to incentivize robust local investment, as it is paramount to the long-term financial stability of the early care and education sector. The Louisiana Early Childhood Education Fund (ECE Fund) offers a dollar-for-dollar state match for non-federal and non-state funds secured by local entities. By January 1, 2023, the ECE Fund balance was \$50.58 million, largely comprising the 2022 one-time state funding appropriation. At this time, as shown in the graphic below, projections estimate the fund will need to match \$25.7 million in local funding from seven parishes in 2023–24. Additional municipalities are expected to implement revenue-raising mechanisms in the next five years. Appropriating 10 percent of the state excess, or surplus, to the ECE Fund in 2023–2024 will ensure matching commitments can be made in future years in case the state faces budget shortfalls. In addition, the Louisiana State Legislature should place any remaining, unspent general relief monies into the ECE Fund to set up the state for success in future years as more localities generate revenue.

COMMUNITIES IN ACTION: NEW ORLEANS

Voters in New Orleans passed the Early Childhood Education Millage in April of 2022. The 20-year, 5 mill, dedicated property tax is estimated to generate \$21 million annually and fund an additional 1,000 seats at high-quality child care facilities for economically disadvantaged children under the age of four. The funding will be split in a cooperative endeavor agreement between the local school board and Agenda for Children, a non-profit organization that administers the New Orleans Early Education Network.



IDEA TO CHAMPION: Supporting Local Revenue Generation

Local governments need support and encouragement to understand and implement revenue-generating options that will open the door to matching funds from the state Early Childhood Education Fund described in Recommendation 3. The state can and should fully support local governments in finding innovative ways to bolster the sector and expand access to early care and education for working families and employers. For example, the legislature can approve the creation of special tax districts for early care and education and raise awareness among local policymakers about the options already available to them to generate revenue for this purpose, including those featured in the box below. Hosting a joint briefing with the LDOE about viable local options is one way to raise awareness and encourage innovation among local governments. Now is also an important moment for the Louisiana State Legislature to encourage localities to use unallocated COVID-19 relief funds for child care programs and infrastructure.

Local leaders should keep in mind that any changes to tax policy should balance the impact on low-income working families—in other words, taxes that are designed to fund child care for low-income working families should not also hit those same families’ bottom line hardest.

LOCAL REVENUE GENERATION STRATEGIES

There are several strategies available to local governments to drive revenue generation under current law, and localities are encouraged to select strategies based on their needs. Examples include:

1. Create a new tax to fund child care, such as a special property tax district in a commercial area.
2. Modify exemptions and exclusions to local sales taxes.
3. Increase property tax rates.
4. Create a special tax district (with approval from the Louisiana State Legislature).
5. Explore public-private partnerships wherein a non-profit entity oversees implementation for early care and education programs and reduces administrative costs for the locality.
6. For capital projects, consider the sale of bonds (bond indebtedness) (with approval by the State Bond Commission).
7. Create a public trust (with approval by the State Bond Commission).

For more details on these and other revenue generation approaches, view [Local Taxation in Louisiana: Alternatives for Local Public Support of Child Care](#), published in November 2022 by the University of Louisiana Lafayette and Louisiana Policy Institute for Children.

IDEA TO CHAMPION: Addressing a Growing Workforce Crisis

There is an important opportunity for the Louisiana State Legislature to encourage collaboration across the state to identify and implement solutions to the growing workforce compensation crisis within the early care and education sector.

The early care and education sector is the backbone of Louisiana’s workforce and economy. Nearly 10,000 independent child care businesses across the state employ more than 15,000 employees and support tens of thousands of working parents across all industries.^{viii}

Many early care and education professionals must have at least an Early Childhood Ancillary Certificate (ECAC) teaching credential, and many have two- and four-year degrees. Despite the enormous impact the early care and education sector has on young children and working families, early care and education professionals are not competitively compensated in Louisiana, or in the United States as a whole. **Most do not receive benefits and earn a median hourly wage of \$9.13**, just slightly higher than minimum wage and less than the federal poverty level for a family of three in 2020.^{ix}

The prevalent low wages in early care and education make it an enormous challenge for providers to find and keep staff, which affects the quality of early care and education. The bond very young children form with a teacher or caregiver is the foundation of their learning and development in early care and education settings; turnover is disruptive to these relationships and negatively impacts children’s development.^x

STRUGGLING PROFESSIONALS

- › Nearly 27% of early childhood teachers employed in child care work a second job.^{xi}
- › 50% of early childhood teachers employed in child care are food insecure.^{xii}
- › More than 1 in 5 early childhood teachers employed in child care met the clinical threshold for depression.^{xiii}
- › High numbers of early childhood teachers employed in child care struggle with basic expenses, unable to pay for medical expenses (56%) or rent (29%).^{xiv}

High turnover also threatens the stability of the early care and education sector. When providers are unable to find and retain high-quality staff, they are forced to cut back services, thus serving fewer children or serving children for fewer days or hours. This instability throws working families into turmoil as parents struggle to secure reliable child care so they can remain employed.

Data supports that competitive wages can increase staff retention and ultimately support long-term quality improvements that directly benefit young children. In addition, higher pay translates to higher spending for employees, which benefits the broader economy, not to mention increases the tax base.^{xv}

As the Commission detailed in its 2022 report, “Forging a Bright Economic Future: LA B to 3,” the challenging economics of child care mean that many providers struggle to break even or else operate at a loss and cannot afford to increase pay or offer employee benefits.^{xvi}

These early care and education workforce issues are not unique to Louisiana, nor are the potential solutions. The Louisiana State Legislature should endorse the following collaborative statewide efforts to study viable policy and programmatic solutions and prepare to act during the 2024 legislative session based on expert recommendations:

1. Collaboration between the Louisiana Department of Education (LDOE) and the Louisiana Workforce Commission (LWC) to explore the creation of early childhood educator apprenticeship programs and determine ways to recognize the ECAC as an eligible credential for workforce development programs.
2. LDOE's Early Care and Education Workforce Stabilization Working Group, that will consider pay ladders and other systems for workforce compensation, research the impact of the benefits cliff, and explore the benefit that paying higher wages has on early care and education quality and access.
3. LDOE's exploration of opportunities for opening access to needed workforce benefits for Early Care and Education (ECE) professionals, such as through Healthcare Navigators, the Office of Group Benefits, and the Teachers' Retirement System of Louisiana.

In addition, the Louisiana State Legislature should host a policy briefing featuring experts from the LDOE and LWC to raise awareness among members of the impact of workforce compensation on early care and education quality and access in the state of Louisiana and why this is a growing economic issue for the state.

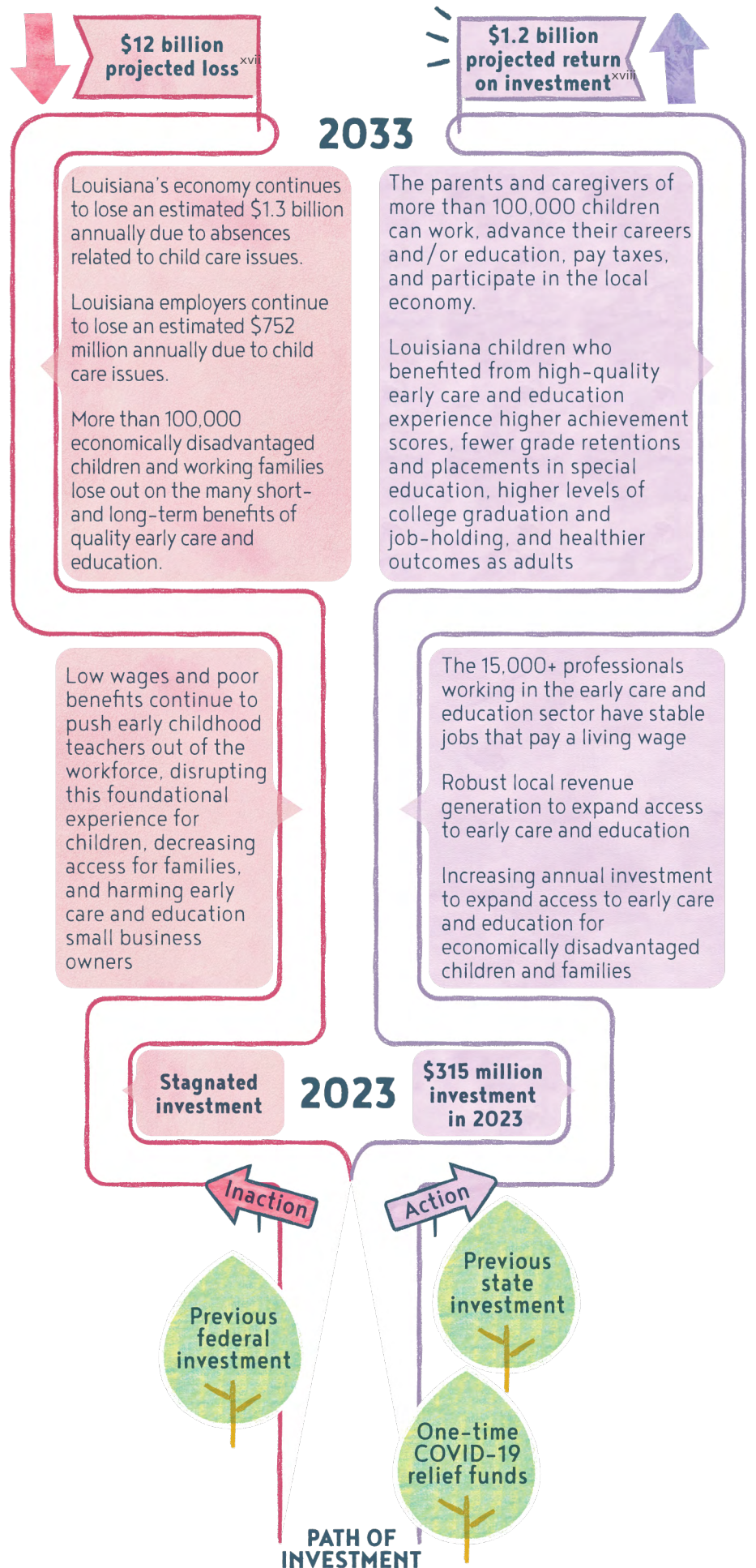
PROMISING POTENTIAL POLICY: WORKFORCE COMPENSATION SCALE

Several states have chosen to adopt a compensation scale to standardize competitive pay for all staff involved in the delivery of high-quality early care and education services based on their role, qualifications, and experience level. The purpose of such scales is to guarantee workers a wage that covers their basic expenses, including housing, transportation, food, healthcare, and child care for their own children. Using this approach, in a 2022 report the Louisiana Policy Institute for Children (LPIC) identified possible baseline wages for early care and education teachers, directors, administrators/leaders, and other non-instructional staff. For example, in the LPIC report's proposed scale, an early childhood teacher with an Associate's degree and less than one year of experience would earn a minimum of \$23.54 per hour, or \$48,963 per year. A compensation scale is one of various possible solutions the state can explore to stabilize the ECE workforce. Details about the compensation scale can be found in [LPIC's report online](#).

CONCLUSION

By moving forward with the recommendations laid out in this report, the Louisiana State Legislature can build a bridge to a future where a strong early care and education system helps children, working families, businesses, and communities thrive. Now is the time to leverage and build upon the important state investments made thus far. To avoid the looming fiscal cliff caused by vanishing federal relief dollars, which would end services for economically disadvantaged children and working families, Louisiana needs to make an immediate investment. At the same time, the state can and should invest to expand access to early care and education for eligible children, enable local revenue generation, and explore ways to stabilize the professional early care and education workforce to achieve significant economic gains.

The graphic at right illustrates the power of these investments over time to create a Louisiana where all economically disadvantaged children can access high-quality, affordable early care and education, this care is delivered by well-trained and well-compensated professionals, and employers and working parents can rely on child care. Now is our chance to build the path to Louisiana's bright future.



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