



Louisiana's School Readiness Tax Credits *A Successful Support for Early Childhood Care and Education*

The School Readiness Tax Credits (SRTC) are a creative package of tax credits, started in 2008 that are unique to Louisiana and have received national recognition. In addition to providing economic incentives directly linked to improvement in the quality of early care and education, **they have been used as the state match for the over \$75,000,000 in federal dollars of the Child Care and Development Fund.**

The purpose of the SRTC as stated by Louisiana Revised Statutes 47: 6101 is “that the benefits of quality child care are indisputable, and that a striking connection exists between children's learning experiences well before kindergarten and his or her later school success.”

- A child's most important brain development occurs from birth through age four. Early childhood experiences affect the quality of the brain's architecture, establishing a sturdy or fragile foundation for all learning, health and behavior that follows.
- The research shows that high quality early care and education supports academic success for children in school. In addition, positive early childhood experiences shape the development of memory, self-control, and cognitive abilities throughout a child's life.

School Readiness Tax Credit for Child Care Teachers/Directors

This tax credit is available to teachers and directors who have attained higher training and education, as measured by the Louisiana early care and education career ladder, and are employed in centers participating in the quality rating system. The credit encourages teachers and directors to improve their knowledge, skills and abilities, thereby enhancing the quality of their centers and enabling those centers to increase their star ratings.

- **Over 3300 teachers/directors** claimed the credit in 2012.
- **To be a teacher in a child care center** the only requirements are to be 18 and pass a criminal background check—**not even a high school education is required.**
- Many early childhood education teachers **earn little more than minimum wage with no benefits.**
- To improve child outcomes and achieve school readiness for our children, we need **to build a qualified workforce** and improve teacher compensation.
- The SRTC for Teachers/Directors provides incentives to improve the knowledge, skills and abilities of the early childhood education and care workforce.

School Readiness Tax Credit for Parents/Families

This tax credit is available to parents who purchase child care services at a child care center with at least a two star rating quality rating. The amount of the credit increases with a greater number of stars (the quality of the center), but decreases with the parents' income. This credit is a market-based incentive for parents to choose higher quality centers.

- **Over 14,600 parents** claimed the credit in 2012.
- The **average price of child care** in Louisiana for parents **is almost as much as the average tuition at a public college** in the state.¹

¹ Child Care Aware. *Parents and the High Costs of Child Care: 2013 Report*. Appendix 6. Retrieved July 14, 2014 from http://usa.childcareaware.org/sites/default/files/cost_of_care_2013_103113_0.pdf

- The available public funding through child care assistance only covers a small percentage of the tuition.²
- **Almost 70% of Louisiana children birth through age 5 have all available parents in the labor force.**³
- The SRTC for parents/families supports low-income parents so that they can access higher quality early childhood care and education for their children.

School Readiness Tax Credit for Child Care Providers

This tax credit is available to programs with at least a two-star quality rating, and is based on the number of low-income children served (as determined by participation in the state child care assistance program or foster care). The value of the credit increases with the star-level, and is designed to help address the higher expenses associated with providing higher quality services to low-income children.

- **Over 500 child care providers** claimed the credit in 2012.
- Most early childhood education programs for children under age four in Louisiana are **privately run small businesses**.
- The **child care sector is a significant contributor to Louisiana's economic development** in addition to providing early education and care to children ages birth through 4.
- **Every dollar that is spent** in the child care sector results in **\$1.72** of economic activity in local economies. Similarly, **for each new child care job that is created, 1.27 jobs are created** in the larger economy.⁴
- **Child care services have a greater dollar for dollar impact on revenue for the state than ship building and repairing, hotels and motels, metal tank and heavy gauge manufacturing, and power generation and supply.**⁵
- The SRTC for Providers helps these businesses to 1) be sustainable financially 2) offer high quality care to ensure school readiness and 3) serve the most at-risk children.

School Readiness Tax Credit for Businesses

This tax credit is available to businesses that support quality child care or make donations to Child Care Resource and Referral Agencies--non-profit, community based organizations that provide training, technical assistance and other supports to child care centers and parents of young children.

- **Over 250** businesses claimed the credit in 2012.
- This credit **encourages private sector support for early childhood education** and has played a critical role in **engaging businesses** in early childhood education in their local communities.

² National Women's Law Center, *State Child Care Assistance Policies 2013: Louisiana*. Retrieved August 11, 2014 from <http://www.nwlc.org/sites/default/files/pdfs/ccsubsidy2013/louisiana-childcare-subsidy2013.pdf>

³ The Annie E. Casey KIDS COUNT Data Center. Retrieved February 6, 2014 from <http://datacenter.kidscount.org/data/tables/5057-children-under-age-6-with-all-available-parents-in-the-labor-force?#ranking/2/any/true/13/any/11473>

⁴ *Investing in the Child Care Industry: An Economic Development Strategy for Louisiana* (2005). Retrieved September 27, 2012 from http://www.dss.state.la.us/assets/docs/searchable/OFS/Investing_In_The_Chi1.pdf

⁵ Ibid.