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**FORGING A BRIGHT  
ECONOMIC FUTURE: LA B to 3**

February 2022

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Representative Stephanie Hilferty and Senator Beth Mizell

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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](http://www.LouisianaBelieves.com).

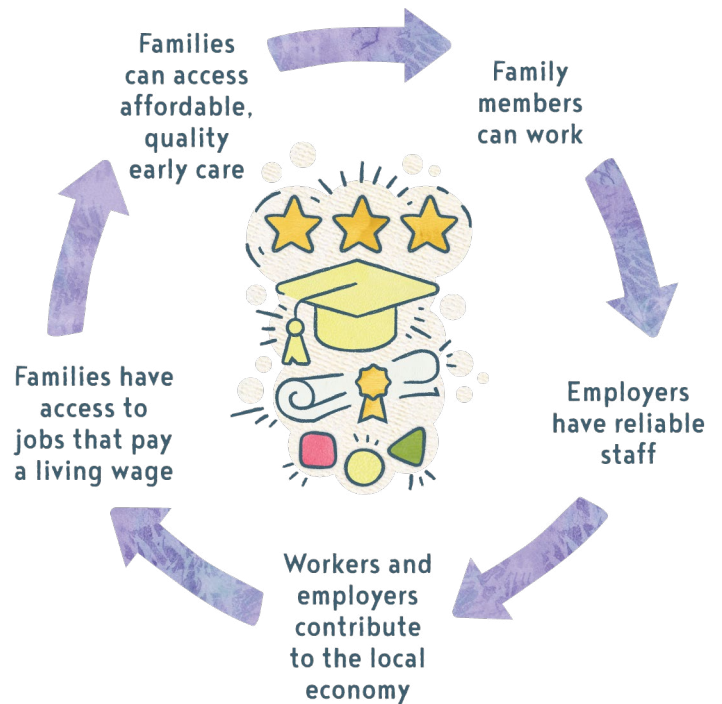
## INTRODUCTION

The Louisiana State Legislature has created policies that support high-quality early care and education, which have positioned Louisiana well for future success. In addition, the Louisiana Department of Education committed nearly \$46 million in stimulus dollars in 2020-2022 as a bridge to long-term funding. Additional resources, however, are needed to continue the momentum of the state's investment and to fully realize the benefits to the workforce, businesses, children, and families.

The Louisiana economy relies on high-quality early care and education for the stability of its workforce today and for the growth of its workforce of tomorrow. The early care and education sector is one of the many variables that contribute to Louisiana's economic growth and success. This sector is unique because it impacts a broad and critical set of stakeholders in nearly every region in our state. Businesses need a reliable workforce, children must be prepared to be successful future members of that workforce, and we need a consistent, strong tax base—all of these are examples of the type of returns on strategic and targeted investments in high-quality early care and education.

### High-quality early care and education is an economic development issue for our state because:

- › Working parents need a safe, nurturing, enriching place for their children to go while they do their jobs. Businesses need working parents to be able to show up reliably, which requires reliable child care.
- › Early care and education providers are small businesses that contribute to local economies.
- › Our economic future depends on a well-educated, skilled workforce.
- › Ninety percent of brain development occurs before age 5: high-quality early childhood experiences set children on the path to future success.



### IMPACT ON THE NEXT GENERATION

High-quality early care and education prepares children to learn, grow, and succeed. Children only get one chance to learn the fundamentals – how to problem-solve, how to cooperate with others, how to explore, and how to think critically – and it starts at birth.

Children who receive high-quality early care and education are more likely than those who did not to have a higher IQ at the start of preschool, improved reading and math skills in elementary and middle school, a reduced number of repeated grades during K-12, and a higher likelihood of graduating from high school.

### **The impact on our workforce is clear:**

- › Two out of three children under the age of five in Louisiana have both parents or their single parent working.
- › Louisiana's economy loses an estimated \$1.3 billion annually due to absences related to child care issues.
- › Louisiana employers lose an estimated \$752 million annually due to child care issues.

### **To continue the momentum of the state's investment thus far and to fully realize the benefits of quality early care and education to the workforce, businesses, children, and families, the Commission recommends that the Legislature:**

- ✓ **Invest \$115 million of State funds to fully launch LA B to 3, and invest an increase of that amount every year for 10 years.**
- ✓ **Identify additional and ongoing funding sources for the Early Childhood Education Fund to match and incentivize local investment.**
- ✓ **Reauthorize the Early Childhood Care and Education Commission.**

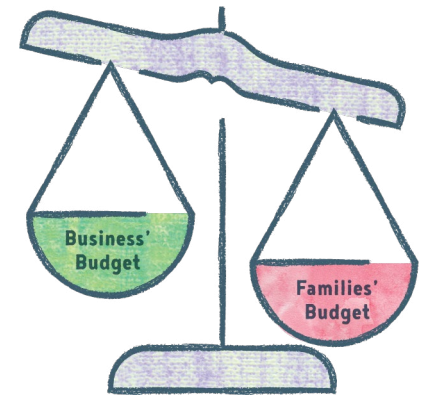
#### **LINGERING IMPACT OF COVID**

Based on an October 2021 survey of more than 2,000 child care providers:

- › More than three-fourths of child care providers reported losses due to COVID 19, averaging more than \$300,000 per center, translating to an estimated \$287 million in collective losses statewide.
- › Sixty-four percent of child care providers reported experiencing employee absences, 55% were hiring or trying to hire additional staff, and 51% were facing increased staffing costs.
- › One-third of providers remained unsure of how long their business could afford to operate.

**RECOMMENDATION 1: INVEST \$115 MILLION OF STATE FUNDS TO FULLY LAUNCH LA B TO 3, AND INVEST AN INCREASE OF THAT AMOUNT EVERY YEAR FOR 10 YEARS.**

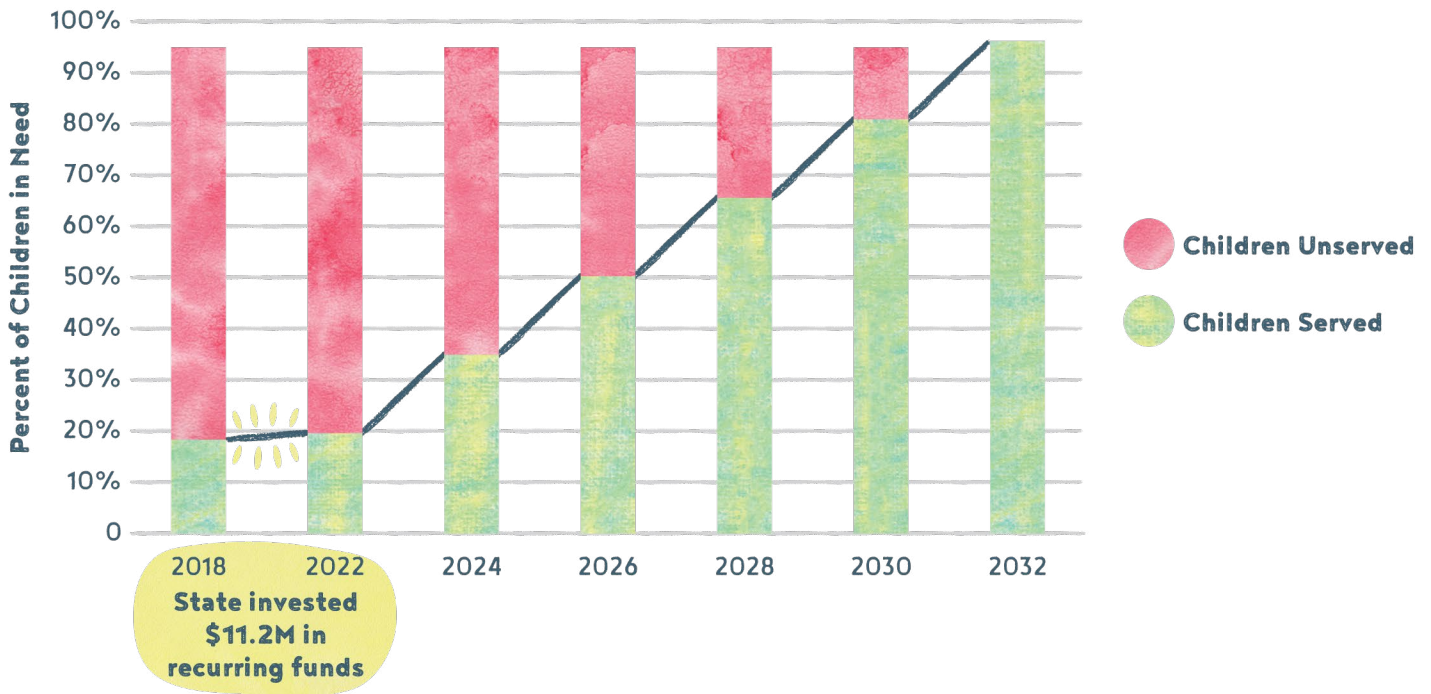
The cost of providing quality early care and education leaves care and education providers trying—and often failing—to balance the need to employ good teachers with the need to offer affordable tuition for families. These small businesses are operating on razor-thin and unsustainable margins. At this point, parents cannot afford to pay more, and early care and education businesses cannot afford to make less. An ongoing commitment from the State can help balance the equation for the long term.



To serve all the children in need in our state, 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. This investment will mean:

- ✓ 9,200 more children served annually
- ✓ Support for thousands of small child care businesses across Louisiana
- ✓ Recovering the \$1.3 billion the state economy loses annually due to child care breakdowns

**Tens of thousands more children will be served with this investment**



## WHY THIS INVESTMENT?

Aside from parents, one of the most influential individuals in a child’s life is an early education teacher. As with parenting, child care is labor-intensive, and delivering higher quality care requires hiring experienced and seasoned professionals.

Shockingly, even the most experienced teachers in early care and education centers earn less than the federal poverty level for a family of three. In Louisiana, they earn an average annual salary of \$19,785—that is about \$10 per hour. This low pay contributes to high turnover, which negatively affects children.

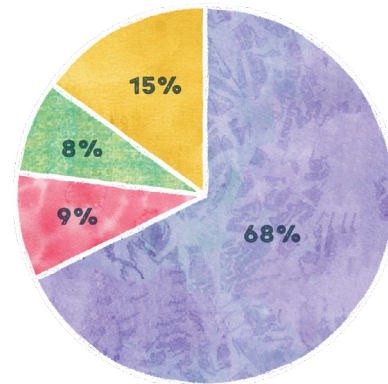
The charts at right show the proportion of costs of running an early care and education business for infants, toddlers, and preschoolers. Even at low salaries, staffing costs eat up most of a provider’s budget, leaving them struggling to cover other essential costs, let alone pay teachers a competitive wage. And as with any business, it costs more to attract and retain talented staff.

A 2021 analysis of statewide American Rescue Plan Act (ARPA) Stabilization Grant applications by the Louisiana Department of Education found it costs roughly \$68 per day to care for an infant in a child care center, and around \$37 per day for a 3-year-old. That is an eye-popping \$27,000 per year for a family with two young children—more than what most parents can afford to pay. These costs are not unique to Louisiana and are experienced across the country.

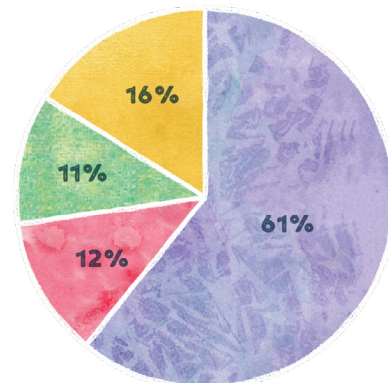
**An ongoing commitment from the State is needed to help achieve the balance between the cost of quality early care and education and families’ capacity to pay that true cost.**



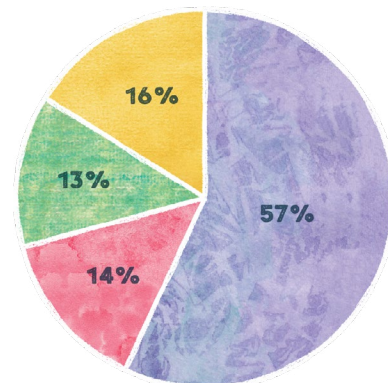
INFANT CARE COSTS



TODDLER CARE COSTS



PRESCHOOL CARE COSTS



## **RECOMMENDATION 2: IDENTIFY ADDITIONAL AND ONGOING FUNDING SOURCES FOR THE EARLY CHILDHOOD EDUCATION FUND TO MATCH AND INCENTIVIZE LOCAL INVESTMENT.**

With the establishment of the Early Childhood Education (ECE) Fund the State promised to match local investments; however, the State is currently defaulting on that promise as local government investments in early care and education significantly outpace the balance of the Fund.

The State must continue to fulfill its commitment to the children of Louisiana and the local communities that match state funds. This partnership is the reason for Louisiana's success because local communities dedicated their own dollars to grow the State's return on investment. The State's commitment motivates and supports local leaders and incentivizes current and future local investments in high-quality early care and education.

- › Three Louisiana parishes have already sought to draw from this Fund—Caddo, Jefferson, and Orleans, which raised a collective \$4,712,587 million for the 2021-22 academic year.
- › Other localities are following suit and on track to raise additional funds to support high-quality early care and education.
- › As of mid-December 2021, dollars in the incentive fund are projected at less than \$800,000.
- › This points to an approximate shortfall of nearly \$4 million and is likely to continue in future years.
- › The implications beyond 2023 are not yet known but should be monitored to ensure the Fund is able to leverage local resources.

### **Current Revenue Sources for ECE Fund:**

- › 25% of sports betting revenues, up to \$20 million a year
- › 50% of NBA Pelicans specialty license plate revenues
- › 8% of net revenues of fantasy sports contests
- › 3% tax on hemp-derived CBD products
- › Harrah's Casino annual tax revenue in excess of \$60 million in FY 21 and in excess of \$65 million in FY 22

## **RECOMMENDATION 3: REAUTHORIZE THE EARLY CHILDHOOD CARE AND EDUCATION COMMISSION**

Louisiana needs the leadership of the Commission now more than ever to ensure young children and families can access affordable, high-quality early care and education.

Louisiana's Early Childhood Care and Education Commission was established in 2018 through Act 639 and charged with creating a vision and framework for the future of high-quality early care and education in Louisiana. Since its inception, the Commission has been instrumental in driving forward the state's related legislative agenda, including its recurring \$11.2 million investment for birth to 3-year-old seats beginning in 2019 and dedication of sports betting revenue to the Early Childhood Education Fund in 2021.

Instead of disbanding the Commission this year, the Legislature should extend its important role, particularly in light of the continuing impact of the COVID-19 pandemic on the sector and significant potential federal investment on the horizon. The Commission will help ensure sustainability of the state's current investments, monitor the economic impact of early care and education in the state, and identify innovative ways to stabilize and grow the sector.

## CONCLUSION

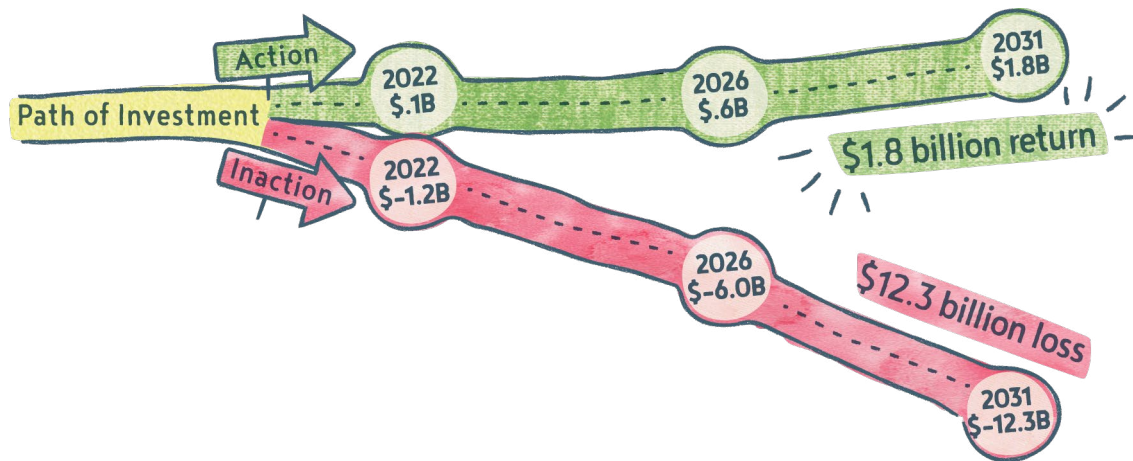
The data prove the need: Investing immediately and continually in high-quality early care and education is a wise financial decision for the State of Louisiana. It reaps great benefits for the state's businesses, families, and communities—and it sets Louisiana's children up for success. And the choice is clear: Louisiana can achieve a \$1.5 billion return on investment in a decade—or a stunning and avoidable \$12 billion loss. This is illustrated in the graph below.

### Early Learning Yields Academic Gains in Louisiana

A 2021 study of the state's pre-K program for 4-year-olds showed that children in the program:

- ✓ Consistently outperformed other children on statewide education tests at 4th and 8th grade
- ✓ Graduated high school at a rate higher than the state average
- ✓ Were approximately 45% less likely to be placed in special education programs

### Louisiana 10-year Economic Impact Forecast from Early Childhood Care and Education Spending



This chart demonstrates how a one-year investment would reap benefits over time. The return on investment due to action is based on improved parental income, labor force participation, and maternal education and earnings and child educational attainment, future employment, future earnings, and lower likelihood of drug use and high blood pressure. The costs of inaction are based on workplace absenteeism, productivity reductions, and job turnover and household income losses and decreased spending.

#### To secure this return, the Commission recommends that the Legislature:

1. Invest \$115 million of State funds to fully launch LA B to 3, and invest an increase of that amount every year for 10 years.
2. Identify ongoing funding sources for the Early Childhood Education Fund to match and incentivize local investment.
3. Reauthorize the Early Childhood Care and Education Commission.

While fully and sustainably supporting the state's early care and education sector, the Legislature should simultaneously leverage any and all federal funding opportunities. For example, Louisiana should participate in expanded 0-3 and universal pre-K provisions in anticipated federal legislation to support high-quality early care and education. Participating in this type of program would save Louisiana families thousands of dollars each year and help the state sustain and grow a strong, stable early care and education system that meets the needs of families, providers, and the economy.



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