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**FUNDING OUR FUTURE: LA B to 3**  
**The Economic Imperative of**  
**Early Childhood Care and Education**  
**in Louisiana**

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March 2021

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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 five Task Force meetings. Every meeting was open to the public and also available as a livestream. 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).

## LOUISIANA AT A CROSSROADS

Early care and education is essential to prepare children for school, keep families working, and support a thriving state economy. The COVID-19 pandemic has significantly impacted children, families, early care and education providers, and Louisiana businesses. Currently, less than one-half of 1% of state general funds are used to support early care and education. Local communities are beginning to step up in big ways, securing an estimated \$4 million to fund birth through three-year-old seats in the fall of 2021 with the hope that the state will match their effort. As we work to help families recover, rebuild our economy, and support our communities, Louisiana has a huge opportunity.

**Louisiana is at a crossroads.** The state can choose to take the path of making bold investments in early care and education that will support young children, help working families, and build a strong economy that attracts new jobs. Or, the state can choose to take the path of inaction, resulting in significant compounded economic losses and negative impacts on children and families. As leaders, we have a say in which path we take, steering us toward progress and avoiding the costs of inaction.

If we **don't** invest *today* in high-quality early care and education, current trends will continue:

- › **114,000 children will continue to lack access to high-quality early childhood programs** that help prepare them for kindergarten and success in life.
- › **Families without child care supports will struggle** to make ends meet, go to work to help our economy recover, and advance their careers. This will also delay their ability to recover from the social, emotional, and financial impacts of the pandemic.
- › **Louisiana will lose a compounded \$12.1 billion over the next 10 years** due to workplace absenteeism, productivity reductions, job turnover, household income losses, and decreased spending.

The choice that benefits children, families, and our economy is clear. Investing now will result in a compounded **economic benefit of \$1.8 billion** over the next 10 years. The path forward is possible with smart policy and strong leadership.

### The Commission recommends that Louisiana legislators take a bold step down the right path this year:

- ✓ Invest \$85.8 million of state funds to launch LA B to 3, and increase this investment by nearly that amount every year for 10 years, as recommended in the [2019 Commission report](#);
- ✓ As part of the total investment, ensure that at least \$4 million is appropriated to the Early Childhood Education Fund prior to the 2021-2022 school year to match current local investment of \$4 million, and identify a robust source of ongoing funding for the Fund as future local investment grows; and
- ✓ Facilitate local investment in early childhood by removing barriers to local revenue generation.

The remainder of this report provides details on the economic implications of investing (or failing to invest) now in early care and education, and offers specific options for generating this critical revenue in our state.

## SNAPSHOT: EARLY CARE AND EDUCATION IN LOUISIANA

**Many young children in need:** There are 173,000 children birth through age 3 in need of high-quality early care and education in Louisiana. Of those, fewer than 7% of in-need<sup>1</sup> birth-to-two-year-old children and less than 33% of three-year-olds can access publicly funded early care and education (Louisiana Department of Education, 2019).

**Many working families:** Two-thirds of Louisiana children under age 5 have both parents or their single parent working (Kids Count Data Center, 2020).

**Early care and education works:** 90% of a child's brain is formed by age 5 (First Things First, 2021).

- › High-quality early care and education has **long-lasting positive impacts**, including higher achievement scores, fewer grade retentions and placements in special education, higher levels of college graduation and job-holding, and healthier outcomes as adults (Garcia, Heckman et. al, 2019).

**Early care and education pays off:** Every dollar spent on high-quality early care and education goes back into our state's economy, delivering a 13% return-on-investment.

**The time is now:** There is broad, bipartisan support for expanding early care and education now.

- › A pre-pandemic poll found that 86% of likely voters in Louisiana said that quality, affordable child care and education is an important issue in their communities and 6 in 10 support increasing state funding for quality early care and education that would benefit working families (Louisiana Policy Institute for Children, 2019).
- › During the 2019 Louisiana elections, the governor made investing in early care and education his top priority and 38 candidates for state office included it in their platforms (Louisiana Policy Institute for Children, 2019).

*"I am a single mom with a 3-year-old daughter. Right now, I'm working at a senior care facility and I am enrolled in school 21 hours per week as a full-time student. Being able to enroll my daughter in her child care program with financial support has been the best thing in the world for us. If I didn't have child care, I wouldn't be able to do this. I couldn't raise my daughter as a single parent and continue to work and stay in school."*

~ Sarah G., Rapides Parish

1 The term "in need," used throughout the report, refers to families living at 200% of the Federal Poverty Level (the 2021 FPL is \$21,960 per year for a family of three).

## DIFFERENT ECONOMIC PATHS FOR LOUISIANA

Two paths. Two very different economic outcomes for our state.

Preliminary economic impact forecasting demonstrates that if the state were to invest the recommended initial **\$85.8 million in early care and education now, it would see an economic benefit of \$1.8 billion, which is nearly 21 times greater than the initial investment, over the next 10 years.**

These projected benefits of early care and education are based on research that finds that **every dollar Louisiana invests in high quality, birth-to-five programs for in-need children delivers a 13% annual return on investment**, resulting from:

- ✓ Reduction in costs for remediation and special education services
- ✓ Improved health outcomes
- ✓ Reduction in participation in criminal justice system
- ✓ Reduction in use of other social services

By contrast, if no investment is made, the state could see a compounded economic loss of \$12.1 billion over the next 10 years.

Even prior to the pandemic, research in Louisiana found that **the costs of inaction are high** (Louisiana Policy Institute for Children, 2017).

- ✓ **Louisiana's economy lost an estimated \$1.1 billion annually** due to absences and turnover resulting from child care issues.
- ✓ Louisiana employers lost an estimated \$816 million annually due to child care issues.
- ✓ **These workforce-related economic losses are likely even greater as a result of the COVID-19 pandemic; investing in child care will be critical to get families back to work.**

*"Childcare is the foundation of our economy, enabling the more than 14 million parents with young children to participate in the workforce. It's clear that if we don't find long-term, cross-sector solutions to this crisis, the negative impact on our workforce and economy will be felt for years to come."*

~ Cheryl Oldham, Senior Vice President, U.S. Chamber of Commerce Foundation

*"Louisiana's economic success relies on access to high-quality early care and education for many reasons. These services allow working parents to engage in the workforce and have peace of mind that their children are well taken care of and learning. This stability is all the more vital as Louisiana's economy continues recovering from the COVID-19 pandemic. Early care and education means future generations are better educated and ready to succeed when they eventually enter the workforce themselves, creating a virtuous cycle of economic and workforce vitality."*

~ Blaise Zuschlag, Chief Administrative Officer/VP Acadian Companies

*"Many of our employees have young children. Early childhood education is critical for our workforce, so that they know their children are receiving the educational foundation necessary for future success, and they themselves can come to work knowing they can give full attention to their jobs."*

~ Gay LeBreton, Managing Director, Chaffe & Associates

**Louisiana 10-Year Economic Impact Forecast from Early Childhood Care and Education Spending**



Sources: Author analysis of Barick, I., Heckman, J.J., Duncan, G.J., & Prados, M.J. (2010) The life-cycle benefits of an influential Early Childhood Program. Davis, B., Rustamianska, A., Brodin, M., & Rahim, M.C. (2017) Losing ground: How Child Care impacts Louisiana's Workforce Productivity and the State Economy. Notes: Cost of inaction is based on the compound annual losses of \$1.160 billion and the 5-year average of Louisiana gross domestic product (GDP) of 0.62% from the U.S. Bureau of Economic Analysis 2010-2019. Cost of action is based on the compound annual spending of \$85.8 million in quality early childhood care and education and the estimated 13% annual rate of return from Barick et al.

This chart demonstrates how a one-year investment would reap benefits over time.

### Supporting Families and Child Care Providers to Recover from the COVID-19 Pandemic

Louisiana's child care businesses were especially hard hit by the pandemic. From March 2020 to January 2021, the industry experienced an estimated \$245 million loss (nearly \$200,000 per center). Without immediate stabilization efforts, Louisiana child care providers are still at risk of closing their doors permanently. This will be devastating to children, families, and our economy, and we cannot let this happen.

The CRRSA and ARPA stimulus packages provide Louisiana with an opportunity to address child care challenges and expand early childhood access in the short-term, until 2024. Louisiana must commit this year to continuing and expanding on these efforts using sustainable state funding to ensure long-term success for children, families, and the economy.

The Louisiana Department of Education will provide CRRSA and ARPA stimulus updates and feedback opportunities via the [Early Childhood Connection Newsletter](#).

## A PATH TO SUCCESS

Every dollar invested in early care and education goes directly back into our communities:

- ✓ It creates seats in quality-rated child care centers, which are small, locally-owned businesses that employ local staff. In Louisiana, 84.5% of these centers are rated Proficient or higher in the state's unified quality rating system.
- ✓ More families will be able to enroll their children and experience the academic, social, and emotional benefits of high-quality early care and education.
- ✓ Access to reliable child care means parents can get back to work, advance their careers and/or education, pay taxes, and participate in the local economy.

**Everyone wins from investments in early care and education. The Commission offers three recommendations to the Louisiana Legislature:**

**RECOMMENDATION 1: Make a bold investment of \$85.8 million in early care and education this year, and an increase of nearly that amount annually over the next decade to fully fund LA B to 3.**

This recommendation is consistent with [the Commission's original 2019 report](#), which found this amount to be necessary to jumpstart the state investment in LA B to 3. At scale, LA B to 3 will serve 114,000 Louisiana children in need, birth through three, and provide families with knowledge, resources, and support they need to raise healthy, thriving children. The state made an initial investment in 2019 of almost \$20 million to increase access to quality seats, including both pre-K seats for four-year-olds, as well as a small number of birth to three-year-old seats. While that investment is a good start, Louisiana must do more.

**RECOMMENDATION 2: As part of the total investment, ensure that at least \$4 million is appropriated to the Early Childhood Education Fund prior to the 2021-2022 school year to match current local investment, and identify a robust source of ongoing funding for the Fund as future local investment grows.**

The [Louisiana Early Childhood Education Fund](#) (the Fund) offers a dollar-for-dollar state match for non-federal and non-state funds secured by local entities. Unfortunately, there is already an alarming shortfall in the Fund. Localities anticipate raising \$4 million to fund local early care and education programs for birth through three-year-olds in 2021-2022, and right now, the state cannot match it. The shortfall is an estimated \$3.8 million. Local communities are stepping up to invest in children and families. Now the state must do the same. It is critical that this fund meets the local matches to foster and support local leaders and incentivize current and future local investments in early care and education. By matching the local investment of \$4 million, the state will help create 640 new child care slots, contribute funding to more than 60 small child care businesses, and create nearly 160 new teaching jobs.

**RECOMMENDATION 3: Facilitate local investment in early childhood by removing barriers to local revenue generation.**

The Legislature should begin planning for ways to support local entities and remove barriers to revenue raising at the community (e.g., parish or municipal) level. Through legislation, there may be opportunities to establish children's special taxing districts to facilitate local revenue generation that would be dedicated to early childhood. With quality and governance structures in place, Ready Start Networks would be well positioned to administer early childhood funding generated locally through children's taxing districts.

### SPOTLIGHT: Ready Start Networks

[Ready Start Networks](#) are 26 pilot networks around the state committed to implementing a bold vision to improve early childhood opportunities at the local level. Driven by local data and context, they do this by developing intentional plans in an early childhood blueprint, implementing creative solutions to address their varying needs, building a broad coalition, and securing and weaving together resources.

Since the implementation of this pilot in 2019, many Ready Start Networks have seen success in securing additional funds, which would be eligible for the state match, to support early childhood care and education in their community. Successes include:

- ✓ [Orleans](#) secured \$3 million from the City of New Orleans to implement the City Seats program each year
- ✓ [Caddo and Bossier](#) established a public-private partnership with its regional community foundation to raise a projected \$1 million to fund B-3 seats in Northwest Louisiana in 2021-2022
- ✓ [Jefferson](#) anticipates securing \$250,000 in local parish funding, and a potential match from a local foundation to support a B-3 seats program in 2021-2022

*"The promise of the Early Childhood Education Fund match has allowed the New Orleans Early Education Network (NOEEN) and other local advocates to attract significant new investments from the City of New Orleans, foundations, and corporate donors. Knowing that their investment will leverage additional State dollars has created a strong incentive for donors to invest in early care and education – helping us increase access and quality for those who need it most."*

~ Jen Roberts, Agenda for Children/NOEEN, Orleans Ready Start Network

## GETTING ON THE RIGHT PATH: REVENUE GENERATION OPTIONS

In order to achieve the bold vision set forth by the Early Childhood Care and Education Commission, the state must work with local leaders to raise the combined state and local investment in early care and education to \$839 million over a period of 10 years. This will require innovative funding and revenue-generating strategies.

### The Louisiana Legislature should:

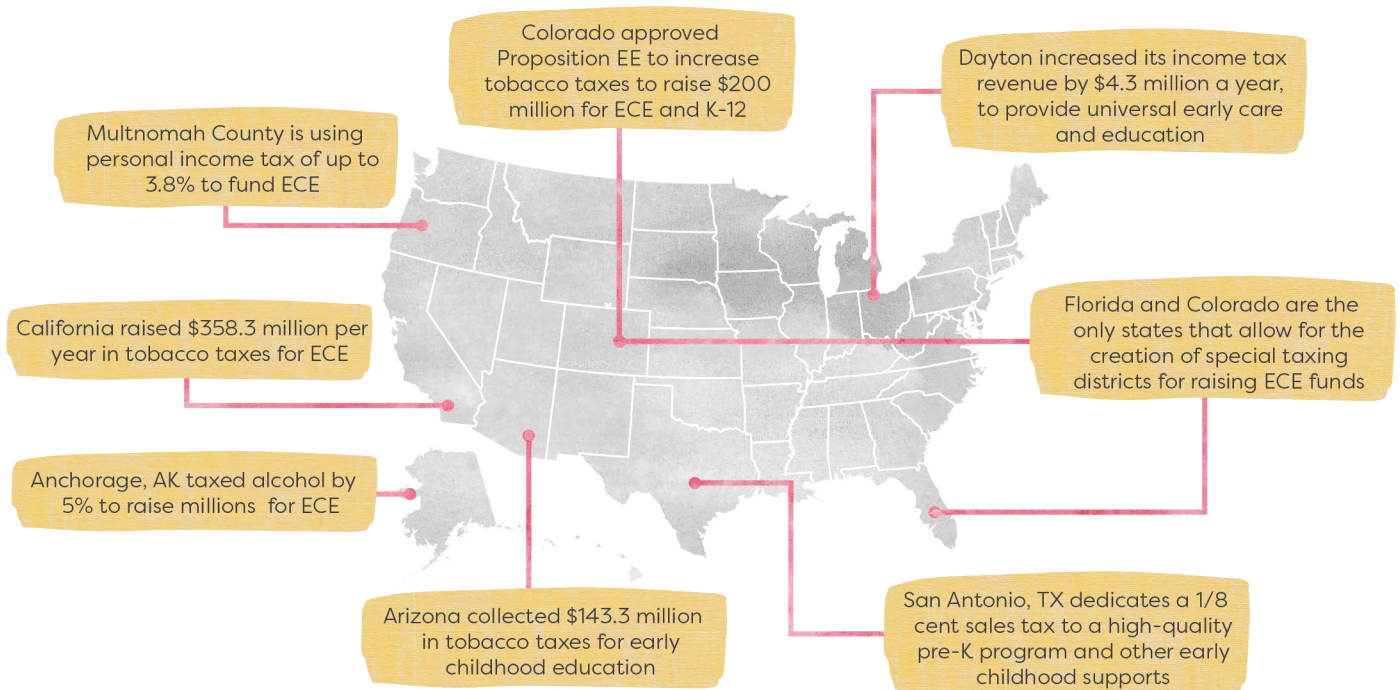
- ✓ Commit all revenue raised from sports betting, both in-person and online, to the Louisiana Early Childhood Education Fund.
- ✓ Prioritize early care and education for funding opportunities created during ongoing tax reform efforts.
- ✓ Prioritize early care and education for funding generated by future annual economic growth.
- ✓ Take advantage of settlements (e.g., opioid, tobacco), as they occur, to fund early care and education.
- ✓ Consider promising revenue-generation strategies used successfully by other states.

### SPOTLIGHT: SPORTS BETTING

In November 2020, sports betting was authorized in 55 of 64 parishes. As the Louisiana Legislature and policymakers design laws and regulations to govern sports betting, leaders should prioritize early care and education for revenue generated.

The Commission recommends that Louisiana commit all revenues from sports betting, both in-person and online, to the Louisiana Early Childhood Education Fund.

## Efforts to Fund ECE by States Across the Nation



## THE TIME TO ACT IS NOW

While there may be no “perfect” time to invest, **the time is now to begin investing in our smallest children.**

Now more than ever, Louisiana cannot afford to further delay investment in early care and education. This is the time to lead our state down the path that is both fiscally wise and morally just. By increasing the state budget for early care and education by \$85.8 million in the next state fiscal year and working closely with localities to drive revenue generation, we can help Louisiana businesses, families, and children thrive—today, tomorrow, and for years to come.

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