

LA
Bto3

**Maximizing Returns:
Our Smartest Investment
for Louisiana's Future**



February 2024

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The Louisiana Department of Education's (LDOE's) Division of Early Childhood worked with the Commission's legislative chairs to provide experts, resources, and presentations for three Commission and three 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. Findings and recommendations are the Commission's alone and do not represent the LDOE's position.

EXECUTIVE SUMMARY

Louisiana has made strong initial investments in early childhood education and increased them during COVID-19 to stabilize our state's workforce and economy. Continued investment will secure sustained returns for Louisiana's families, workforce, and economy.

The Early Childhood Care and Education Commission recommends that the Louisiana State Legislature:

1. **Invest \$98 million of additional state funds in high-quality early care and education now and annually over 10 years to ensure statewide access**, to ensure opportunity for an additional 7,800 children in 2024 and grow that number by 7,800 annually to reach more than 100,000 children by 2034.

Why? Every dollar invested in supporting the early years of critical brain development delivers a 13% return¹ in terms of educational attainment, which leads to a more skilled workforce, and improved health and social outcomes that contribute to greater self-reliance and stronger communities. It also delivers significant cost savings due to reduced demands on remedial education and social safety net programs, as well as reductions in crime.

Louisiana's return on early childhood investment can grow to more than \$1.8 billion by 2034.

2. **Enact legislation that guarantees the State's commitment to the Early Childhood Education Fund (ECE Fund), to match and incentivize ongoing and increasing local investment.**

Why? The ECE Fund offers a dollar-for-dollar state match for non-federal and non-state funds secured by local entities. The current balance is \$32.8 million, and projections estimate that local funding will generate the need to match more than \$31 million from 14 parishes in 2024-2025. The state must continue to incentivize robust local investment by ensuring there are sufficient funds available to motivated communities.

3. **Continue to review state and local revenue and resources to identify potential sustainable funding for early care and education.**

Why? The Legislature can carefully analyze the current tax revenue sources and collections practices to capture missing funding opportunities.

There are 78,000 more young children who are ready to learn and grow and still need access to high-quality early care and education. By investing in Louisiana's children today, we secure a tremendous return on investment (ROI) for Louisiana's families, workforce, and economy.



¹ Garcia, J.L., Heckman, J.J., Leaf, D. E., & Prados, M.J. (2017). Quantifying the Life-Cycle Benefits of a Prototypical Early Childhood Program. National Bureau of Economic Research. Available online at <https://heckmanequation.org/resource/faq-lifecycle-benefits-influential-early-childhood-program/>.

INTRODUCTION

Louisiana has made strong initial investments in early childhood education and increased them during COVID-19 to stabilize our state's workforce and economy. These increased investments served an additional 11,094 children and their families for a total of nearly 25,594 traditional Child Care Assistance Program (CCAP) seats and 3,201 additional B-3 seats at the peak of funding, utilizing both additional state and stimulus funding, at rates that more closely reflect the true cost to Louisiana child care businesses of providing quality infant and toddler care. Our investments helped our state fare better than many of our neighbors by minimizing child care shortages that would have costs hundreds of millions in lost productivity and hamstrung Louisiana's economic recovery.

The state's investment has benefited tens of thousands of young children. However, there are approximately 78,000 more young children who are ready to learn and grow and still need access to high-quality early care and education.

Investing in Louisiana's youngest residents is a proven investment in the state's stability, health, and economic prosperity. In fact, every dollar invested in supporting the early years of critical brain development delivers a 13% return.² This return is measurable in terms of educational attainment, which leads to a more skilled workforce, and improved health and social outcomes that contribute to greater self-reliance and stronger communities. The return on investment also manifests as significant cost savings due to reduced demands on remedial education and social safety net programs, as well as reductions in crime.

What do smart early childhood investments look like? Over the past five years, the state of Louisiana has made strategic initial investments in the key factors that are pivotal to achieving high returns:

- Skilled, credentialed early childhood educators who deliver the high-quality learning experiences Louisiana's young children need and deserve.
- High-quality early childhood sites that are accessible and affordable to Louisiana's working families.
- Classroom experiences that amplify brain development, motor skills, social connections, and overall health for those who will drive Louisiana's economy in the coming decades.

What Does ROI Look Like?

↑ Educational attainment

↑ Social outcomes

↑ Skilled workforce

↑ Stronger communities

↑ Health outcomes

↑ Self reliance

↓ Social safety net programs

↓ Need for remedial education

↓ Crime

Investment in early childhood education delivers both immediate and long-term gains for Louisiana. Therefore, the Early Childhood Care and Education Commission recommends the Louisiana State Legislature:

1. Invest \$98 million of additional state funds in high-quality early care and education now and annually over 10 years to ensure statewide access.
2. Enact legislation that guarantees the State's commitment to the ECE Fund, to match and incentivize ongoing and increasing local investment.
3. Continue to review state and local revenue and resources to identify potential sustainable funding for early care and education.

The Commission believes that the Louisiana State Legislature should choose to lead the way in efforts to increase investment in early childhood education in partnership with local governments, businesses, and advocates for Louisiana's economy.

² Garcia, J.L., Heckman, J.J., Leaf, D. E., & Prados, M.J. (2017). Quantifying the Life-Cycle Benefits of a Prototypical Early Childhood Program. National Bureau of Economic Research. Available online at <https://heckmanequation.org/resource/faq-lifecycle-benefits-influential-early-childhood-program/>.

RECOMMENDATIONS

RECOMMENDATION 1

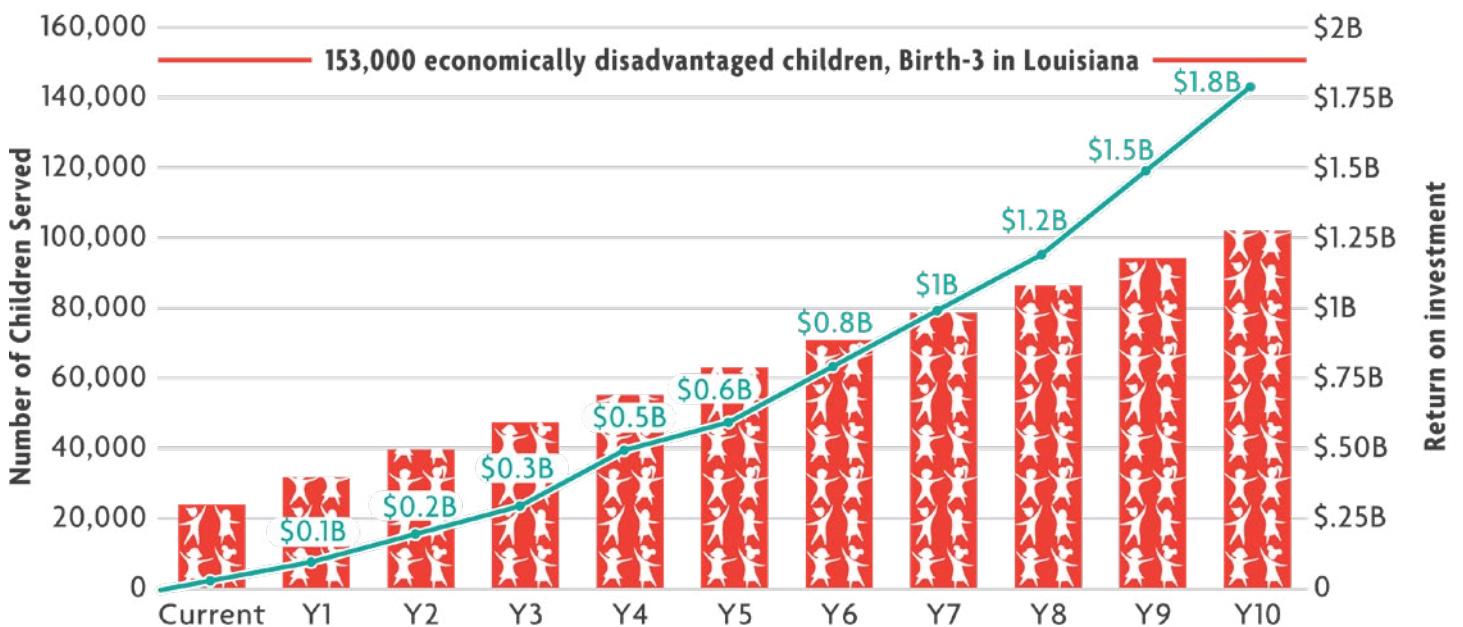
Invest \$98 million of additional state funds in high-quality early care and education now and annually over 10 years to ensure statewide access.³

High-quality, affordable early childhood education is one of the most important investments Louisiana can make in its economy and its citizens—now and for the future. A broad landscape of high-quality early childhood education sites means that more parents can work and contribute to the economy, more businesses can grow our economy, and more children will grow up with the abilities and skills necessary to continue that participation and growth and keep our state's economy robust far into the future.

Statewide investments in early childhood education help keep costs affordable for working families and help providers ensure that they are delivering high-quality programs that employ skilled educators.

To fully invest in Louisiana's future, we must commit \$98 million to CCAP now and grow that investment with an additional \$98 million per year over the next 10 years, for an eventual total of approximately \$980 million per year. It may seem like a large sum, but the economic return on that investment for Louisiana can grow to nearly twice that value, to more than \$1.8 billion by 2034.

Increase in Early Childhood Education Access & Return on Investment over 10 Years



There are approximately 78,000 young children in Louisiana waiting for the opportunity to learn and grow in a high-quality early education environment. By making the investment recommended by the Early Childhood Care and Education Commission, the Louisiana State Legislature can ensure opportunity for an additional 7,800 children in 2024 and grow that number by 7,800 annually to reach more than 100,000 children by 2034.

Young children are not the only ones to benefit from this investment. Louisiana's employers will be able to recover millions in lost productivity due to lack of child care options for workers, and the state's economy could see a significant boost.

³ This figure is based on the average per child B-3 seat rate of \$12,500, which is calculated based on the current average annual cost of infant, toddler, and 3-year-old care and education.

RECOMMENDATION 2

Enact legislation that guarantees the State’s commitment to the ECE Fund, to match and incentivize ongoing and increasing local investment.

Local government leaders have seen the positive return on early childhood investments in their communities—and they are ready and willing to contribute to those investments. The state plays a critical role in incentivizing local investment. Combining multiple funding streams—local, federal, and state—makes for a more sustainable approach with shared benefits at the state and local levels.

ECE FUND-ELIGIBLE PARISHES OVER TIME



The Louisiana ECE Fund offers a dollar-for-dollar state match for non-federal and non-state funds secured by local entities. During 2024-25, projections estimate that local funding will generate the need to match more than \$31 million from 14 parishes. Although as of early January 2024 there is a balance of \$32.8 million, the ECE Fund is projected to be nearly depleted by the end of academic year 2024-25 and be unable to match funds raised in local communities in 2025-26. Louisiana should continue to capitalize on the tremendous momentum to support early childhood care and education that is building in local communities across the state. By passing a new law that codifies the State’s commitment to provide matching dollars for local funds raised for early childhood education, the Louisiana State Legislature can hold true to the State’s good faith promise to communities, families, and children.

RECOMMENDATION 3

Continue to review state and local revenue and resources to identify potential sustainable funding for early care and education.

Best practices in early childhood funding include diverse revenue streams from both inside and outside the state. In Louisiana, approximately 50 percent of early childhood education seat funding for CCAP currently comes from federal sources. Currently state funds for early care and education come from one-time appropriations, sports and fantasy sports betting, industrial hemp-derived CBD, and interest earnings.

We believe that there are many ways to reallocate existing funds and tap into other funds currently available within the State budget. In addition, there are other possibilities for securing predictable, sustainable revenue sources for early childhood investment. One option is to review the state's current tax revenue sources to identify existing loopholes that could be closed, with the resulting collections used to fund early childhood education. Another option is to study the revenue missed by under-collections of existing income and property taxes.

Leveraging Local Investment

The Louisiana State Legislature can use state legislation and the promise of state matching funds to encourage local governments to pursue innovative, ongoing sources of revenue for early care and education, such as:

- Special property taxes in commercial areas
- Changes to local sales tax exemptions and exclusions
- Bond sales for capital projects
- Public/private partnerships

The state also can encourage local leaders to engage various community groups and entities to ensure that innovative revenue generation does not place undue financial burdens on the low-income working families it is designed to serve.



CONCLUSION

If Louisiana's State Legislators are looking for a significant return on investment for public funds, early care and education delivers in both the short and long term. From healthier children and families and a stronger workforce now, to ongoing and exponential benefits in terms of skilled workforce growth and social self-reliance, as well as reduced costs for remedial education, social services and crime, investments in early care and education are the state's smartest move.

If COVID-19 taught us nothing else, it revealed the economic importance of investing in early childhood education. Research shows that states where the child care industry was hit hardest saw slower economic recovery. By using federal funds to invest in child care during the pandemic, Louisiana fared better than most other states in terms of child care employment recovery.⁴

The Louisiana State Legislature has an opportunity to keep that momentum going.

The state can lead the way in identifying and implementing solutions by:

1. Investing \$98 million of additional state funds in high-quality early care and education now and annually over 10 years to ensure statewide access.
2. Enacting legislation that guarantees the State's commitment to the ECE Fund, to match and incentivize ongoing and increasing local investment.
3. Continuing to review state and local revenue and resources to identify potential sustainable funding for early care and education.

By investing in Louisiana's children today, we secure the greatest returns on investment for Louisiana's families, workforce, and economy.



⁴ Crouse, G., Ghertner, R., & Chien, N. (2023, January). *Issue Brief: Child Care Industry Trends During the Recovery from the COVID-19 Pandemic*. U.S. Department of Health & Human Services' Assistant Secretary for Planning and Evaluation. Available online at: <https://aspe.hhs.gov/sites/default/files/documents/71981d3ec3a1d02537d86d827806834b/Child-Care-Trends-COVID.pdf>.