



EARLY CARE AND EDUCATION PROVIDERS DESERVE CREDIT



ZEROTOFIVE
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WHAT ARE CHILD CARE WORKFORCE TAX CREDITS?

Early care and education professionals work hard, they are in high demand across the state, and yet this crucial workforce has long been one of the lowest paid occupations. Tax credits – which reduce the amount of taxes owed or increase a tax refund – are used across the country with a wide range of goals. Some states offer workforce incentives for early care and education professionals to increase income which can help with the recruitment and retention of an essential workforce.

HOW DO TAX CREDITS HELP INCREASE CHILD CARE WAGES?

Louisiana's School Readiness Tax Credits include refundable tax credits for early care and education professionals, including child care directors. Workers are eligible for the credit if they "work at least six months for a licensed child care facility that participates in the quality rating system and are enrolled in the Louisiana Pathways Child Care Career Development System."^[1] The credit is refundable and adjusts annually with inflation.

Louisiana's School Readiness Tax Credit package has five components, one of which increases wages for qualifying individuals in the child care workforce. The Louisiana child care workforce credit is focused on both professional development attainment and increasing wages. The tax benefit from the credit ranges from 10% - 20% of the annual wage of a child care worker in Louisiana and is linked to certifications and levels of education."^[3]

For example, an individual with a Louisiana Early Childhood Ancillary Certificate (equivalent to a Child Development Associate (CDA) credential) and two years of experience qualifies for a level 4 credit (currently \$4,090 annually). This is the same credit amount that a Level 4 individual with a B.A. in early childhood education earns.^[4] Louisiana's rationale is to incentivize the CDA and increase retention in the field.

WHAT OTHER APPROACHES ARE STATES USING TO INCREASE CHILD CARE WAGES?

Recruitment and retention of a high-turnover, high-demand industry

In 2022, Maine enacted legislation to operate a similar wage supplement system tied to certifications and higher education. Instead of a refundable tax credit approach, Maine issues monthly tiered grants to individuals in the child care workforce (directors, lead and assistant teachers, program coordinators, and family child care providers with direct care responsibilities).^[5]

Maine's Early Childhood Workforce Salary Supplement System provides:

- \$275 per month (\$3,300 annually) for Tier 1 (Levels 1-4 on Maine's Professional Development Career Lattice);
- \$415 per month (\$4,980 annually) for Tier 2 (Levels 5-6); and
- \$625 per month (\$7,500 annually) for Tier 3 (Levels 7-8)

Programs must be licensed and participating in Maine Roads to Quality (the state quality rating and improvement system). Maine's Department of Health and Human Services will determine annual tier amounts based on the current annual budget and the number of early educators enrolled.

Virginia also offers a salary supplement referred to as Recognize B5, which is open to lead and assistant teachers working in child care programs that serve children whose care is paid for with a child care subsidy. To be eligible for the supplement, child care professionals must work in a classroom setting for at least 30 hours per week and stay continuously employed by the same provider. For the July 2023 – June 2024 program year, workers are eligible for up to \$3,000 annually (paid in 6-month installments).[6]

Evidence from Louisiana, Maine, and Virginia shows that increasing compensation helps recruitment and retention. Tying compensation increases to certifications and higher education attainment helps to incentivize professional development and translates to higher quality child care for children.

Young kids benefit from having consistency in a caregiver.

When a child and a dedicated provider can stay together for as long as possible (also known as continuity of care), it enhances positive experiences and builds protective factors so infants and toddlers have more resiliency throughout life.[6]

Children who have time to develop strong bonds with a caregiver have support in learning and development outcomes like attention, memory, and self-control. Kids with these relationships are also more likely to show higher levels of connection with their peers, greater language development, and are more effective in their peer relationships.[6]

Consistency in a caregiver is also linked to decreased stress for families, caregivers, and children, increased understanding of child development, improved children's behaviors, and eases the transition into school. When parents have stability, they are able to be more reliable in the workforce.[7]

WHO DO CHILD CARE WORKFORCE TAX CREDITS HELP?

Child care workers are in the top twenty for job demand and job growth, yet they have some of the lowest wages compared to all occupations.[8]

- In Montana, most child care workers make \$12.84 an hour or around \$26,720 a year.[9]
- Child care workers experience higher rates of turnover and labor force exits than the average occupation in Montana. At least half of the job openings for child care positions are a result of turnover.[8]
- 1 in 4 of Montana's early education providers live in poverty, which is double the rate of other workers, and 8 times the rate of K-12 teachers.[10]
- There are currently 4,553 early care and education professionals currently employed with at least one of the 918 Licensed/Registered Program.[11]

IS THERE SUPPORT FOR EARLY CARE WORKFORCE TAX CREDITS? YES!

A survey of registered voters in Montana found [12]:

- 66% favor state tax credits in Montana to supplement wages for the child care workforce.
- 88% agree that a lack of child care has a significant impact on the state's workforce.