Why Tax Credits?

- Tax policies can support the ends we want to achieve…
  - School Readiness
  - Quality Child Care

Tax Credits, Tax Credits, Tax Credits

Economic Development
Existing State Tax Credits

- Capital Companies Credit
- Credit for Basic Training Skills
- Credit for Donation of Historic Property to State
- Credit for Donations to Qualified Playgrounds
- Credit for Hiring Eligible Re-entrants
- Credit for Insurance Company Premium Tax
- Credit for Investment in a Louisiana Film
- Credit for Property Tax Paid on Certain Vessels
- Credit for Qualifying Recycling Equipment
- Credit for the Employment of Previously Unemployed
- Credit for Utility Refunds
- Dedicated Research Investment Fund Credit
- Economic Development Bond Cost Credit
- Electric and Natural Gas Cost Increase Credit

Existing State Tax Credits

- Historic Rehabilitation Tax Credit
- Inventory Tax Credit
- Motion Picture Employment Credit
- New Jobs Credit
- New Market Credit
- Quality Jobs Program
- Research Credit
- Tax Equalization Contracts Credits
- Technology Commercialization Credit
- Telephone Company Ad Valorem Credit
- University and Biomedical R&D Parks Credits
- Employment of Drug Offenders Credit

Economic Development

- Investing in the Child Care Industry
- An Economic Development Strategy for Louisiana
Summary of Direct Effects

There are 12,701 businesses, employing 22,644 workers, serving 149,000 children and generating approximately $657 million in gross receipts.

Employment by Industry, Louisiana

Gross Receipts by Industry, Louisiana
Multiplier Effects

Input-Output analysis calculates the ripple effects of an industry’s spending in the local economy.

Direct Effects: Child care centers take in revenue.

Indirect Effects: Centers make purchases thereby stimulating other industries.

Induced Effects: Workers spend wages.

Total Value of Local Economic Linkages

Output Multipliers by Industry, Louisiana

<table>
<thead>
<tr>
<th>Industry</th>
<th>Multiplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and gas extraction</td>
<td>1.80</td>
</tr>
<tr>
<td>Motion pic and video industries</td>
<td>1.73</td>
</tr>
<tr>
<td>Child care services</td>
<td>1.72</td>
</tr>
<tr>
<td>Ship building and repairing</td>
<td>1.64</td>
</tr>
<tr>
<td>Natural gas distribution</td>
<td>1.63</td>
</tr>
<tr>
<td>Hotels and motels</td>
<td>1.63</td>
</tr>
<tr>
<td>Metal tank, heavy gauge, etc.</td>
<td>1.55</td>
</tr>
<tr>
<td>Auto and light truck repair</td>
<td>1.50</td>
</tr>
<tr>
<td>Power generation and supply</td>
<td>1.47</td>
</tr>
</tbody>
</table>

School Readiness Tax Credits

- Package of 4 Tax Credits
- Credits to Providers
- Credits to Directors and Teachers
- Credits to Business for Supporting Child Care
- Credits to Parents/Consumers
Tax Credits to Providers

- Providers receive a tax credit based on the number of children they serve in the Child Care Assistance Program (or in foster care)
- Refundable credit
- Both for-profit and non-profit centers are eligible

<table>
<thead>
<tr>
<th>Star Rating</th>
<th>Tax Credit (per child in CCAP/foster care)</th>
</tr>
</thead>
<tbody>
<tr>
<td>★★★★★</td>
<td>$1,500</td>
</tr>
<tr>
<td>★★★★</td>
<td>$1,250</td>
</tr>
<tr>
<td>★★★</td>
<td>$1,000</td>
</tr>
<tr>
<td>★</td>
<td>$750</td>
</tr>
<tr>
<td>★ (or not participating)</td>
<td>No credit</td>
</tr>
</tbody>
</table>
Tax Credits to Providers

- If you serve 10 CCAP children and you are a 2 star center, then you receive a $7,500 refundable tax credit!
  - 10 children x $750 (2 star center) = $7,500
  - 10 children x $1,000 (3 star center) = $10,000
  - 10 children x $1,250 (4 star center) = $12,500
  - 10 children x $1,500 (5 star center) = $15,000

Refundable credits
Based on the level of education
Must be working at a center participating in the rating system
The star rating of the center does not impact this credit
Must work there at least 6 months
**Tax Credits to Directors and Teachers**

<table>
<thead>
<tr>
<th>Child Care Director and Teacher Qualification</th>
<th>Tax Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 4</td>
<td>$3,000</td>
</tr>
<tr>
<td>Level 3</td>
<td>$2,500</td>
</tr>
<tr>
<td>Level 2</td>
<td>$2,000</td>
</tr>
<tr>
<td>Level 1</td>
<td>$1,500</td>
</tr>
</tbody>
</table>

**Employers receive a credit for “eligible child care expenses” based on the quality rating of the center**

**TAX CREDITS TO EMPLOYERS/BUSINESSES**

**Tax Credits to Business**

- Employers receive a credit for “eligible child care expenses” based on the quality rating of the center
- Refundable credits
Tax Credits to Business

Eligible Expenses (#4)
Employers may claim a tax credit for up to $5,000 in grants to child care resource and referral agencies.
- This credit is dollar for dollar
- Maximum is $5,000
Builds on the existing state child care tax credit.

Families are eligible for an increased tax credit based upon the quality rating of the center.

<table>
<thead>
<tr>
<th>Star Rating</th>
<th>Increase to Existing Tax Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>★★☆☆☆</td>
<td>200%</td>
</tr>
<tr>
<td>★★★☆☆</td>
<td>150%</td>
</tr>
<tr>
<td>★★★★☆</td>
<td>100%</td>
</tr>
<tr>
<td>★★★★★</td>
<td>50%</td>
</tr>
<tr>
<td>1 Star (or not participating)</td>
<td>No change</td>
</tr>
</tbody>
</table>

SRTC IMPACT

5 Years
2008-2012
**Subsidized Children by Star Level (under age 5)**

- Nov. 2009
- Nov. 2010
- Nov. 2012

<table>
<thead>
<tr>
<th>Star Level</th>
<th>0%</th>
<th>10%</th>
<th>20%</th>
<th>30%</th>
<th>40%</th>
<th>50%</th>
<th>60%</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 stars</td>
<td>52%</td>
<td>11%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-2 stars</td>
<td>45%</td>
<td>41%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3-5 stars</td>
<td>2%</td>
<td>3%</td>
<td>14%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Directors and Teachers at All Levels of LA Pathways Career Ladder**

- 2008
- 2010
- 2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Directors</th>
<th>Teachers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>177</td>
<td>136</td>
</tr>
<tr>
<td>2010</td>
<td>334</td>
<td>217</td>
</tr>
<tr>
<td>2012</td>
<td>286</td>
<td>413</td>
</tr>
</tbody>
</table>

**Fiscal Impact**

- **Tax Credits to Parents**
  - $3.35 million
- **Tax Credits to Providers**
  - $14.5 million
- **Tax Credits to Teachers**
  - $7.4 million
- **Tax Credits to Business**
  - $500,000
- **Total**
  - $26 million
**Revised Fiscal Impact**
- Tax Credits to Parents: $0.87 million
- Tax Credits to Providers: $3.7 million
- Tax Credits to Teachers: $1.9 million
- Tax Credits to Business: $500,000
- Total: $7.1 million

**Final Tally**
- Passed both chambers unanimously
- 93 co-authors (started with 30)
Basic Assumption (1)

The budget is the most significant POLICY DOCUMENT used in government planning.

“The budget process is the spinal column of public policymaking.”


Basic Assumption (2)

A cross-system plan without a cross-system budget is difficult to implement.

Early Childhood Budget as a Percentage of Total State Budget (FY 12 Appropriated)

- 2.8% of Total State Funds
- 8.9% of Total Federal Funds
- 5.5% of Total State Budget
Early Childhood Budget

- Early Care and Education, 25%
- Access to Medical Care, 22%
- Family Support/Parenthood Education, 22%
- Mental Health/Social-Emotional Development, 5%

$1,426, $1,494, $1,397, $1,338, $1,035, $304, $295, $283, $257, $258, $-400, $800, $1,200, $1,600

Early Childhood Budget FY 10 – FY 14

-27%, -15%

Lessons
- Diversify portfolio
- Tax strategies should not replace direct funding (appropriations)
- We need both
References

- Quality Start Child Care Rating System
  - www.qrslouisiana.org

- LA Department of Revenue
  - http://revenue.louisiana.gov/
  - In Search bar, type in “School Readiness”

THANK YOU
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