

## Support HB 19-1005: Early Childhood Educator Tax Credit

Reps. Buckner & Wilson/Sens. Todd & Priola

### Summary

The Early Childhood Educator Tax Credit is an innovative way to build economic self-sufficiency among the early childhood workforce and add stability to the \$1.4 billion early care & education industry in Colorado. Pioneered in Louisiana and Nebraska and endorsed in Colorado's Teacher Shortage Action Plan, this tax credit would encourage early childhood professionals to improve their skills as educators to better support the development of our young children. Small business owners and parents who rely on early care and education to work would also experience lower turnover in staff as employees experience better economic stability.

### Our Economy's Need for Reliable, Affordable Early Care & Education

- 246,000 children in Colorado under age 6 (**nearly two thirds of all kids**) have all parents in the workforce and must depend on some form of early care and education every week.
- Use of paid early care and education is highly correlated with **women's labor force participation**—more than half of young children whose mother is working full-time participate in paid child care.
- In Colorado alone, more than \$640 million in direct output is generated within the child care sector. The industry is estimated to support about \$720 million in additional indirect and induced output in other industry sectors, for an estimated combined total of \$1.4 billion in output in Colorado's economy.
- Early care and education has tremendous spillover benefits for Colorado's economic development: **for each new child care job created, more than 1.5 additional jobs are created** in the larger Colorado economy.
- But early education workforce challenges are creating instability in the industry and increasing the unaffordability of child care due to **high turnover** (these teachers leave their jobs four times more frequently than other educators) and its associated costs, further disrupting parents' ability to work.

### The ECE Workforce Challenge

Inadequate compensation for our ECE workforce **hurts retention, recruitment, and affordability.**

- With a **median hourly salary well-below the self-sufficiency standard in every area of the state**, child care professionals earn about as much as parking lot attendants, fast food cooks, and non-farm animal caretakers. They earn half as much as kindergarten teachers, and about a third as much as nurses.
- Nationwide, the low compensation for child care providers translates into **more than \$1.5 billion in public assistance going to child care educators** to help them make ends meet. Investments in providers support early educators' access to adequate wages and, given that the child care workforce is 96 percent women, investments in providers are investments in **women's economic self-sufficiency.**

Providers point to the **lack of an available, qualified, workforce** as the leading challenge to keeping their doors open or expanding child care availability in the state. They also highlight turnover (estimated to cost more than \$5,000 per lost employee annually) as a key driver of child care affordability.

## The Opportunity

An effective Early Childhood Educator Tax Credit includes several key components designed to encourage improvements in providers' quality, improve compensation of the early childhood workforce, and increase access to child care providers for those facing the greatest barriers. Key features of include:

- **Tiered credit** tied to credential level.
- **Length of service requirement** during the tax year.
- Available only to providers **accepting children with CCCAP or participating in programs available to children who most need quality early education** and engaged with our state's **Quality Rating and Improvement System (Colorado Shines)**.
- **Adjusted annually** based on the Consumer Price Index.
- **Refundable credit** so it is available to all eligible members of the early childhood workforce.

Colorado's  
**EARLY CARE AND EDUCATION  
SECTOR**  
generates

**\$720 Million**

in additional indirect and  
induced output in the  
**COLORADO ECONOMY.**



## Evidence of Success

Improving quality in child care.

- In Louisiana, participation in the state's professional development and credentialing system more than tripled after the tax credit was started and the number of **credentialed educators increased fourfold** and staff that attained **higher level credentials increased almost eightfold**.
- In the first seven years of implementation in Louisiana, the proportion of subsidized young **children in high quality settings increased by 26 percentage points**.

Increasing in child care stability so parents can work.

- Other states are using tax credits to **draw down federal funds** to support early care and learning systems. For example, Louisiana's tax credits have been used as both the Maintenance of Effort and Matching Funds required for it to receive a full allocation of more than \$80 million from the federal Child Care and Development Fund Block Grant.

Advancing in the economic self-sufficiency of the early childhood workforce.

- This credit has had a **substantial impact on the take-home income of an underpaid child care workers** who are providing a valuable service to families and children. The average recipient in Louisiana has received a credit worth more than \$2,100 in each year of eligibility. Each year, nearly 4,000 early childhood educators able to increase their pay because they pursued training and education. This increased pay, in turn, circulated in the Louisiana economy, increasing the purchase of goods and services in local economies.

For **EVERY DOLLAR** spent  
in the Colorado early care and education sector,

**\$2.25**

is contributed to the **STATE'S ECONOMY.**

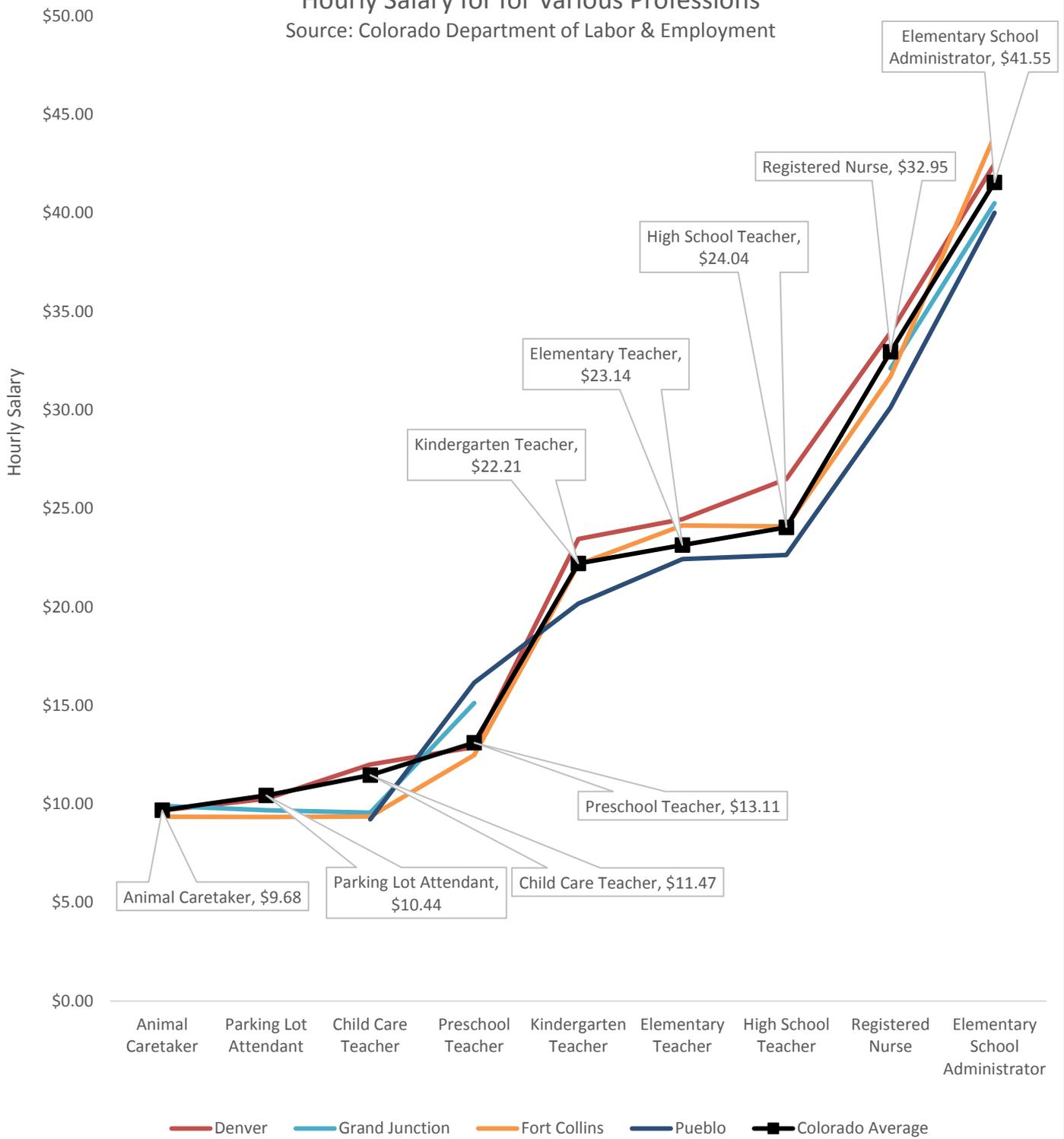
For **EVERY JOB** created  
in the Colorado early care and education sector,

**1.5  
JOBS** 

are created in the **STATE'S ECONOMY.**

# Hourly Salary for Various Professions

Source: Colorado Department of Labor & Employment



**Supporters of HB 19-1005**

The Bell Policy Center

Clayton Early Learning

Colorado Center on Law and Policy

Colorado Children's Campaign

Colorado Fiscal Institute

Colorado PTA

Denver's Early Childhood Council

Florence Crittenton Services

Gary Community Investments

Healthy Child Care Colorado

Mile High Early Learning

Parent Possible

Save the Children Action Network

Small Business Majority

The Women's Foundation of Colorado