

# 3 STRATEGIES TO IMPROVE CHILD CARE IN IOWA



## IS CHILD CARE IMPACTING YOUR COMMUNITY?

In Governor Reynolds's State of the State address, she shared that one of her priorities is 'Preparing a Future Ready Iowa'. Child care plays an important role. "One of the most significant barriers to entering the workforce is the availability and affordability of child care. Over the past five years, Iowa has lost 40 percent of its child care businesses and it's estimated there is a shortfall of more than 350,000 child care slots across the state. The child care crisis is not only affecting families,

it's impacting the state's workforce at a time when Iowa is missing out on nearly \$675 million in annual ADP because of a shortage of employees."

The Early Childhood Iowa Private Public Partnership (ECIPPP) is a long-term collaboration between the private and public sectors to promote efforts that build public awareness of the importance of early childhood development. The primary focus of this partnership is to create awareness among

businesses and community leaders of the critical role child care plays in retaining reliable, productive employees.

The ECIPPP is recommending three strategies for consideration of the Iowa Legislature to strengthen the awareness and commitment to this issue. We support these strategies as we align our efforts with the Iowa Women's Foundation, the Iowa Association of Business and Industry, and the Iowa Business Council.

## 1 Create a Private Public Partnership Fund

Appropriate \$500,000 to a private public partnership account in Early Childhood Iowa (ECI) to support increasing the availability and quality of child care. Funds would be distributed through grants by the ECI State Board, require matching dollars from local contributions, and would align with other grants offered through private opportunities.

ECI's 2019 Needs Assessment identified significant gaps in access to and quality of child care, particularly for our most vulnerable children and families, including those in rural areas. Funding would support community efforts to address these gaps by building capacity to improve child care facilities and the child care workforce. Over 40 percent of child care centers reported quality concerns, with finding and retaining staff the primary barrier, particularly in rural areas. Findings also revealed strengths

in local partnerships, but these were not systematic – suggesting a need to better document and support effective partnerships as a mechanism for sustainable quality improvement.

This model of private public partnership will foster collaboration and identify local innovations to improve child care access and quality. With these funds, we will be able to document "what works" in order to replicate successes, such as that of the Black Hawk County Child Care Coalition, in other areas of Iowa. We will improve services in areas identified in our Needs Assessment, including expanding access to care for underserved populations and building stronger partnerships between public and private businesses to expand services, improve transitions, and support workforce training.



## 2 Expand T.E.A.C.H. Early Childhood® IOWA and Child Care WAGE\$® IOWA

Our 2019 Needs Assessment revealed significant gaps in the education and compensation of the early childhood education workforce. Child care centers serving our most vulnerable young children have staff with the lowest educational attainment and are paid the least, resulting in higher turnover. (In 2017, the median wage for a child care worker was \$9.20.) According to child care center directors, the inability to hire and retain staff - particularly in rural areas - hinders program quality improvement efforts. Families bear the brunt of these challenges, as many child care centers are forced to face program quality issues, reduce enrollment or close.

We propose expanding the Teacher Education and Compensation Helps (T.E.A.C.H.) Early Childhood® IOWA and Child Care WAGE\$® IOWA programs to improve and retain Iowa's early childhood education workforce and attract new, untapped labor. Both programs are licensed and nationally monitored by Child Care Services Association, which assures programs are implemented with fidelity by requiring semi-annual reports and biannual competency assessments.

Expanding T.E.A.C.H. will ensure all providers, teachers and home visitors have access to coursework that leads to credentials (e.g., CDA, associate and bachelor's degrees, teacher license). T.E.A.C.H. provides individualized professional development counseling, support for tuition and books, paid time away from work, increased compensation, and requires a commitment to work for the sponsoring organization after completing the program to reduce turnover.

T.E.A.C.H. has been available in Iowa since 2003, and the Iowa Association for the Education of Young Children has been the administrative home since 2007. Since then, T.E.A.C.H. has provided scholarships to over 2,500 early care and education providers; 1,726 have earned credentials, degrees, or licensure, with a turnover rate of 5% for the last 2 fiscal years. Additionally, T.E.A.C.H. recipients receive an average of 10% increase in annual wages related to these advances in credentials. Current program funding supports scholarships for about 400 early care and educators annually.

Second, we propose expanding WAGE\$® to increase continuity and retain educated early childhood education professionals. WAGE\$® awards education-based salary supplements to address key issues of under-education, poor compensation and high turnover. Supplement awards are based on education achieved and employment period with the child care program. Iowa implemented WAGE\$® in 2014 and has expanded the program annually. To date, 602 early childhood education professionals have received at least one payment from WAGE\$®. Current program funding levels support supplements for about 250 early childhood education professionals annually.



### 3 Create a Multi-Pronged Approach to Support Child Care Through Tax Credits

#### **Child Care Expense Tax Credit**

The tax credit is available to families who have a child under the age of six during that tax year, and attended a child care facility with an Iowa Quality Rating System rating of at least two stars or nationally accredited. The amount of the credit increases with the level of stars (quality of the child care facility).

#### **Child Care Business Tax Credit**

The refundable tax credit is available to child care providers who own and operate a child care business with an Iowa Quality Rating System rating of at least two stars or nationally accredited, and is based on the number of low-income children served (as determined by participation in the Child Care Assistance Program or foster care). The value of the credit increases with the level of stars, and is designed to help address the higher expenses associated with providing higher quality services to low-income children. Funds from the tax credit are in addition to – not in lieu of – child care assistance subsidy reimbursements. Refundable tax credits function as annual grants to child care businesses, many of which have tight budgets that make it hard to maintain and improve the quality of their services.

#### **Child Care Teachers/Directors/Staff Tax Credit**

The refundable tax credit is available to teachers, directors and eligible staff who have attained higher training and education, as measured by Iowa's Pathways Child Care Career Development System. Child development home providers are eligible for a refundable tax credit if they work at least six months for a child care facility that participates

in the quality rating system (at least two stars) and enroll in Iowa's Pathways Child Care Career Development System.

#### **Business-Supported Child Care Tax Credit**

The refundable credit is available to businesses that support quality child care in child care facilities with an Iowa Quality Rating System rating of at least two stars or nationally accredited. The credit amount is based on a range of eligible expenses and depends on the child care facility's star rating. Eligible support includes:

- Expenses to construct, renovate, expand, or repair an eligible child care center, purchase equipment for a center, maintain or operate a center, not to exceed \$50,000 in expenses per tax year;
- Payments made to an eligible child care facility for child care services to support employees, not to exceed \$5,000 per child per tax year; and/or
- The purchase of child care slots at eligible child care facilities actually provided or reserved for children of employees, not to exceed \$50,000 per tax year

#### **Donations to Resource and Referral Agencies Tax Credit**

The tax credit is available to businesses that make donations to Child Care Resource and Referral (CCR&R) Agencies, non-profit, community-based organizations that contract with the Department of Human Services to provide training, technical assistance and other supports to child care facilities and parents of young children. The refundable credit is a dollar-for-dollar investment tax credit for businesses that contribute up to \$5,000 per tax year to CCR&R.

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