



Start Strong!

The Case for Priority Investment in Louisiana Early Childhood Programs

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Executive Summary

No more excuses, Louisiana. The evidence and opportunity are clear. Research has shown that the quality of care and education during children's early years will influence their life outcomes as well as the condition of the society and workplaces of their generation. Unfortunately, quality early care and education is out of reach for many low-income families. About 173,000 children age birth to 3 who are considered in-need in Louisiana are unable to access this critical resource.

Some states have taken effective action and applied resources to make opportunities available to economically disadvantaged young children. Through the continuous efforts of a wide coalition in Louisiana, the groundwork has been laid for a comprehensive early childhood system benefiting children, parents and the general welfare of the state. Perhaps no other project stands a better chance of moving the needle in favor of Louisiana's social and economic status.

While few disagree with that assertion, meaningful financial support from the state has not been forthcoming. This has less to do with whether there is money available and more to do with a failure to make early childhood education a real priority. So far, state funding for this purpose has been an unreliable hodgepodge of partially used tax credits, marginal revenue from gambling activity and settlements for drug addiction lawsuits, plus the occasional windfall of federal largesse. Meager amounts of state general fund money have been allocated for early care and education.

We evidently are banking our youngest citizens' well-being – and our state's future – on the expectation that more

people in Louisiana will gamble and use drugs. Meanwhile, large and powerful institutions and unions urge greater funding for employees and programs in the K-12 and higher education levels, and they are armed with material means to influence the budgetary process and lock in permanent recurring increases in appropriations. Beyond education, a wide assortment of state programs, agencies, employees and pork projects are benefiting from greater financing.

This situation will be addressed temporarily by a flow of federal stimulus dollars of an almost unimaginable magnitude. A large sum of that money will assist the Department of Education and child care centers with early childhood development. But the state is ill-prepared for picking up early childhood programs where the federal stimulus will leave off.

Progress can be achieved with the stroke of a few well guided pens and a willingness to adopt early childhood care and education as a genuine priority for state and local juris-



dictions. There are many mouths speaking in its favor, but too few in power willing to put dependable money there.

This report by the Public Affairs Research Council of Louisiana provides an overview of the evolution and current structure of an ambitious proposed program for early childhood care and education. It examines the governance model and financial mechanisms already

designed for the program and recommends a stronger way forward. The report also contains supplemental sections covering national and state studies and resources supporting good governance practices. Other sections catalog funding resources. A reader of this report will be well versed with objective information and ideas to discuss this issue constructively and help move the state and its children forward.

Terms to Know

Early Childhood Care and Education: Sometimes called early childhood education, this refers to care and education provided for young children. This report focuses on programs for children birth to age three.

Early Learning Center: Facility that provides care and education for groups for enrolled children. In Louisiana early learning centers include daycare, Head Start, and preschools serving those under four years old.

Family Child Care Home: Child care in which caregivers provide care in their own homes for a small group of children often related. In Louisiana enrollment is limited to six or fewer children not including those related to the caregiver.

Community Network: A network of local publicly-funded early childhood programs, coordinated by a designated lead agency.

Lead Agency: An organization within the community network that serves as the spokesperson and fiscal agent between the community network and Department of Education.

Ready Start Network: A community network that has taken on additional requirements and responsibilities which unlocks additional funding support.





Chapter One: A Strong Foundation

The State's Leading Role in Early Childhood Development

Louisiana is home to 173,000 children aged birth to 3 who are considered in need. That is, they are children of families living at or below 200% of the Federal Poverty Level.¹ Most of these children have either both parents or their single parent working,² with limited access to quality care and education. This is a consequential fact, considering that most of a child's brain development occurs by age 5.³

Fewer than 7% of our children in need from birth to 2 years old and less than 33 percent of 3-year-olds can access quality child care in Louisiana. National research shows that for every \$1 invested in high-quality early care, a state yields between \$6 and \$13 in return on investment.⁴ Further, children

who participate in high-quality early care and education programs are less likely to: require special education services; be retained a grade in school; dropout before high school graduation; develop a chronic disease in adulthood; or be engaged in the criminal justice system.^{5,6}

As recommended in Louisiana, early childhood education encompasses several key goals. These include a constructive environment for young children in which accessible high-quality care and appropriate education are a reality. It addresses the immediate and future needs of the children and their parents while holding the promise of a positive long-term impact on the state economy, government services and workplace opportunities for employees and employers alike.

MILESTONES IN LOUISIANA EARLY CHILDHOOD EDUCATION

2001 – LA 4 program launched, now covering 90% of 4-year-olds in need

2007 – School Readiness Tax Credits created to support and encourage quality child care (Act 394)

* See Appendix D for more details

2012 – The Early Childhood Education Act establishes a framework and responsibilities (Act 3)

2014 – The Legislature reshapes governance model and creates the Advisory Council on Early Childhood Care and Education (Act 868)

2014 – The Legislature creates enrollment process and accountability measures (Act 717)

2015 – BESE establishes duties of community networks and local lead agencies (Bulletin 140: Louisiana Early Childhood Care and Education Network)

2018 – The Legislature creates Louisiana's Early Childhood Care and Education Commission (ECCEC) and paves the way for pilot programs and Ready Start Networks (Act 639)

2019 – The Commission releases Funding our Future: LA B to 3 and the state expands Ready Start and Get Ready networks

2020 – State budget concerns quell major funding efforts due to the pandemic

PAST EFFORTS

Two decades ago, Louisiana overcame obstacles to create a successful program for 4-year olds. The Cecil Picard LA 4 Early Childhood Program provides 4-year old children with quality pre-K education. It serves more than 90% of the state's 4-year olds in need. How does it work? The state funds local providers to offer pre-K programs. Most of the service is offered through local school systems, although other child care centers can participate using the same criteria and standards. The program run by the Louisiana Department of Education is available for economically disadvantaged children. LA 4 is funded with approximately \$50 million annually in federal Temporary Assistance for Needy Families (TANF) dollars and \$28 million from the state general fund.

As the state's main pre-K program, LA 4 has distinct advantages over the current initiatives for children under 4. The regular support with federal money and the implementation through the existing public school systems have laid a viable ongoing foundation for the LA 4 service. Serving children below age 4 is a tougher prospect, because the governance system and providers are different and the funding from federal money is less consistent and less engrained.

While funding has been insufficient, Louisiana in the past decade has had success developing a statewide, integrated system for early-childhood care and education. The state has uniform standards of readiness for kindergarten and thorough alignment of standards for quality early-childhood education. These initiatives arose through the work of the Legislature, the State Board of Elementary and Secondary Education (BESE), the state Department of Education,

the Early Childhood Advisory Board, the Early Childhood Care and Education Commission (ECCEC), and numerous stakeholders and advocates.

Louisiana has made strides with significant and measurable improvements in its governance structure and the working relationships between the various state and local agencies who provide early child care and education services. The state also has a unified rating system for quality improvement, including third party verification. Yet, significant challenges remain for education policy makers with regards to: increasing the number of families that have access to affordable quality early child care and education; expanding access statewide

Different Types of Early Learning Centers

This report focuses on Type III Early Learning Centers that receive some form of public funding. Several types of centers can play a role. The Louisiana Department of Education makes three classifications:

Type I: Early learning centers owned or operated by tax-exempt faith-based organizations and receive no state or federal funds directly or indirectly.

Type II: Early learning centers not accepting public funding, unless they are nonprofit and therefore eligible for the Child and Adult Care Food Program (CACFP).

Type III: Early learning centers authorized to accept some form of public funding to serve economically disadvantaged children.

particularly to underserved and rural areas; further coordinating improvement efforts across all programs, (e.g., Head Start, state-funded healthcare and child-care providers); establishing a unique statewide child data identifier and linking and sharing data across all programs. All of these goals are hampered by insufficient funding and local capacity. The Louisiana Department of Education simply does not have the necessary capital or capacity needed to execute the functions it needs to perform.

STATE GOVERNANCE

The state has a strong recent history of preparation for a robust program. The Legislature passed Act 3 in 2012 and Act 868 two years later to require BESE to work through the state Department of Education with the various agencies responsible for early childhood care and education. The mandate was to establish a seamless early childhood educational system that is coordinated and integrated across all programs and agencies, regardless of the public funding sources.

With the Department of Education defined and established as the lead governing body that oversees early childhood care and education, the state-level governing model seems to be working well. This includes efforts to provide more access to high-quality child care as well as

the licensing of early-learning centers. It has moved the state from divided governance, finance, and accountability – spread across various state agencies competing for scarce dollars – to a more integrated system led by a single department that is positioned to deliver better quality and improved access to early child care and education services across the state.

The governance model has established a strong system that is driving up quality. However, access and equality continue to be a challenge, especially in the most underserved areas of Louisiana. The challenge is that the governance structure – specifically the Department – does not have the resources to implement its programs adequately.

IMPROVEMENTS AHEAD

In addition to addressing the state’s capacity constraints, there are opportunities to improve Louisiana’s state-level governance model that will help families more efficiently find quality services. Barriers and challenges still exist that affect coordination of child care, education, and health services across the state and federal levels of administration. These opportunities include:

Better coordination is needed not only among the state agencies but also between the state and federal programs, including:

- **Early Steps**, a program administered by the Louisiana Department of Health (LDH) to provide infant and toddler early intervention services for children ages birth to 3 who have a developmental delay, or children with a diagnosed medical condition with a high probability of resulting in developmental delay. With multiple agencies serving the same population, opportunities exist for better



coordination of services.

- **Nurse Family Partnership (NFP)** is an evidenced-based community health program administered by LDH to provide nurse home visitation services to low income, first time mothers. As with Early Steps, NFP is aimed at the same population served by the Department of Education. Increased coordination of services will better serve this group.
- **Temporary Assistance for Needy Families (TANF)** is a federal program administered and supervised by the Louisiana Department of Children and Family Services (LDCFS). Eligible families can be provided with financial assistance or other services to include education, job preparation, work and support services under Louisiana’s Family Independence Temporary Assistance Program (FITAP), Kinship Care Subsidy Program (KCSP), and Strategies to Empower People (STEP) Program. LDCFS is the TANF grant recipient; however, some of the LA-4 program is administered by the Department of Education through funding received from LDCFS. Interagency funding and contracting can often be delayed, which may have an impact on service planning and delivery.
- **Child Care Assistance for Foster Care** is administered by LDCFS and often serves the same children as the Department of Education. Opportunities exist for improved collaboration between the two state departments. Specifically, this program can serve as an informed referral source for child-care services.
- **Head Start Programs** are administered by the U.S. Department of Health and

Human Services to promote school readiness of children ages birth to 5 from low-income families by supporting the development of the whole child. Head Start and Early Head Start programs offer a variety of service models, depending on the needs of the local community. This federal grant bypasses states and finances local agencies directly. So, the state has worked to engage Head Start where possible as part of its larger systems-building efforts. There are opportunities for better coordination with existing programs and state-level accountability of access and quality. Also, the federal government and Louisiana Department of Education should consult with each other and share information as decisions are being made around grants and Head Start partners. The state education department is in a unique position, as it stands up the Ready Start Networks, as discussed in Chapter Two of this report.

Act 3 was intended to establish a seamless early childhood education system, and significant progress has been made. However, due in part to the governing authority still existing between multiple state agencies serving the same children and families, data sharing is not coordinated or integrated across all early childhood programs. Most of the data is not linked and there are limitations on the amount of data that the Department of Education can access due to legal privacy and confidentiality requirements. State agencies are collecting and reviewing the same documentation that is collected by other departments or agencies – creating inefficiencies and barriers for families trying to access early-child care, education

and health services.

The Department of Education is in the process of building a comprehensive internal data system, which will be built in phases. The system design does not currently allow for data to be shared across all providers mostly due to the lack of data sharing agreements from other agencies. Further, Louisiana does not link workforce data across early-childhood programs.

This situation creates barriers and inefficiencies for families seeking early child care, education and healthcare. Policy makers will need to address the lack of integration amongst internal state agencies, as well as external early child care and education providers, to better serve Louisiana children.



GOVERNANCE RECOMMENDATIONS:

- **Improve early childhood interagency governance.** All state-level agencies providing child care, education and healthcare to children in need from birth to age 5 should identify barriers and develop and implement strategies to create more efficiency, quality and equity in programs and services, and to include the integration and coordination of the health component. Where necessary the Legislature should remove legal barriers to data sharing while protecting privacy.

- **Consolidating early childhood care and education, including both licensing and programs to expand access, was a strong step in creating a more effective system.** The Department of Education should continue to improve coordination between their licensing and access programs.

- **Louisiana’s Early Childhood Care and Education Commission (ECCEC) should continue the effort to expand the education department’s capacity to provide the level of support around health, safety, quality and access.** The Legislature should continue to reauthorize the Commission so that additional focus can be placed on family communication about the importance of early childhood care and education, engagement and responsiveness to families’ needs and barriers to access.

- **Coordinate with Head Start.** The Department of Education should continue to seek to engage Head Start as part of its larger systems-building efforts, including better coordination with existing programs and state level accountability of access and quality. The federal government and state department should consult with each other and share information as decisions are being made around grants and Head Start partners. The Department of Education is in a unique position, as it stands up the Ready Start Networks, to provide valuable information around the local opportunities and challenges. With better coordination, the state can create a more cohesive, efficient early childhood system through the alignment of quality standards, instructional programs and resources, professional development, and assessments across all programs. With the increased level of engagement with the federal government, the state department will be in better position to mitigate the access and quality challenges experienced by families and their children.

- **Improve early childhood care and education data infrastructure.** BESE should develop a comprehensive early childhood data system and guide the coordination, security and appropriate use of data. Such a data system should securely link information on birth-to-5 children across all state and federal programs, including Head Start, home visiting and healthcare. This effort should seek to collect and link workforce data and ensure that data privacy policies are developed and communicated to stakeholders and parents.

Chapter Two: Ready to Start

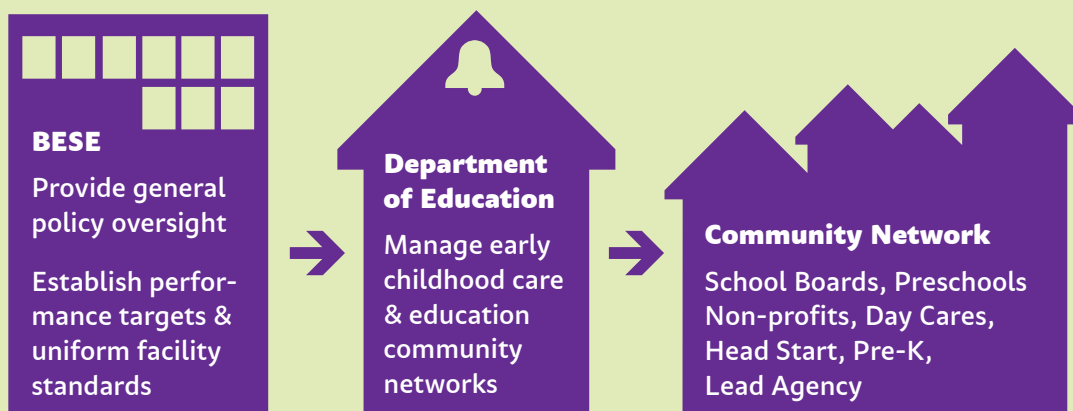
Community Governance and Networks

With the passage of Act 3 in 2012, Louisiana's objective was to develop an integrated delivery system for early childhood care and education. Early childhood community networks were established to provide observation and feedback for teachers, identify birth-to-5 low-income and disadvantaged children, and coordinate enrollment across local early learning programs.

Another big step came in 2018 with the passage of Act 639. This legislation authorized BESE to establish and fund pilot programs, called Ready Start Networks, to create a local collaborative governing structure for decision-making and expand local responsibilities. Each Ready Start Network (RSN) is required to use local data and analysis to develop a strategic plan to implement the four pillars of the Ready Start Network model⁷:

- 1. Ready Start Blueprint:** Describes a community's plan for early childhood work and effectively communicates the results of success.
- 2. Ready Start Coalition:** Identifies the stakeholders necessary to achieve the plan with careful consideration of who needs to be informed, invested, involved or held accountable.
- 3. Ready Start Governance:** Determines the structures required to execute the plan in collaboration with partners to establish how the decision-making and responsibilities will be shared.
- 4. Ready Start Fundraising Strategy:** Identifies resources available to support a strategic plan and develops proposals to secure the additional resources to achieve the vision.

Louisiana Early Childhood Landscape



What is a community network?

A network of local publicly-funded early childhood programs, coordinated by a designated lead agency. Community networks can become Ready Start Networks.

The strategic plans are developed locally, based on their unique opportunities and challenges, to drive local improvement while informing statewide strategies for better access and quality. By empowering local communities, this initiative has been expected to generate faster rates of quality improvement and access. The Ready Start Networks are charged with establishing a local collaborative governing structure for decision-making and to expand local responsibilities to execute plans and collaborate with their partners.

Needs assessment, professional development and technical assistance for governance are offered to the Ready Start Networks through Technical Assistance providers. This help offers technical tools and resources to help RSNs develop governance models and by-laws, expand coalitions and explore fund-raising strategies.

The Department of Education also has contracted with a technical assistance partner to develop a planning guidebook for RSNs that includes guidance for implementing the four key pillars. This guidebook can be found on the [department's website](#).

PIONEERS LEAD THE WAY

The first cohort of Ready Start Networks was launched and funded in January 2019 to build formal local governance structures under the direction of these lead agencies: the school systems for the parishes of Iberville, Jefferson, Lafayette, Rapides and Washington; the New Orleans Early Education Network; and the St. Mary Parish Community Action Agency. These networks have made significant progress by setting up governance boards, adopting by-laws and developing fundraising strategies. Two more cohorts followed and now there are 27 Networks across the state. Cohort 4 applications were made in Spring 2021 and more will follow.

Although significant progress has been made, the education department faces challenges to provide the level of professional development and technical assistance needed for each unique Ready Start Network. As noted by Rand Corp. research, early childhood education stakeholders continue to be concerned about the capacity of the lead agencies to fulfill the state's requirements, as well as the lack of necessary supports and resources for the level of work required.



Data sharing is not coordinated or integrated across all early childhood programs. This situation creates barriers and inefficiencies for families seeking early childhood care, education and healthcare. Many families are being screened multiple times because of the different programs. Data is not sufficiently shared. While privacy must be protected, agencies would find it useful to know if families are eligible for Medicaid, home visiting services and child care systems eligibility.

Much data about quality and access is readily available; however, the data around services is less so. Further analysis is needed into where the children in need are located. If they are not in child care, what services do they need, what services are being provided and how can they access those

services? Policy makers will need to address the lack of integration not only among internal state agencies, but also for local early child care and education providers.

A large segment of our children in need are in rural and disadvantaged regions, where there is limited access to quality and affordable early childhood services. This drawback is further compounded by long distances to services, a lack of transportation options and non-traditional working hours. Many rural communities lack the capacity and on-going funding needed to launch their own Ready Start Networks.

Each community presents unique challenges. The Department of Education has recognized this fact and has given a greater level of empowerment to the Ready Start Networks.



LOCAL SUPPORT RECOMMENDATIONS

- The Department should continue to build local capacity through expanded technical assistance to support quality initiatives, data analytics and decision-making. This effort should include a stable source of funding.

- BESE and the Department of Education should expand available support to offer needs assessment, professional development and technical assistance to the Ready Start Networks to support the development of their governance models. The department has created “guidebooks” for early childhood community network lead agencies and are in frequent communication. However, there does not seem to be specific information or technical assistance regarding the different types and pros and cons of governance structures. BESE has thoughtfully avoided mandating specific structures or strategies. But the locals need additional guidance and support even if done through third-party assistance.

- Established Ready Start Networks should participate in peer-to-peer exchanges with subsequent Ready Start Networks to help build the four pillars, especially the governance model. Lessons learned from successful Ready Start Networks will be invaluable for the new cohorts.

- BESE and the Department of Education need to strengthen the department’s capacity to address the needs of rural and disadvantaged regions as they seek to expand the Ready Start Networks. Many rural and disadvantaged regions will have unique challenges – such as access, transportation, or non-traditional working hours. Further, some will not have the capacity to stand up their own Ready Start Network, much less the opportunity for public-private partnerships and fund development. BESE and the education department will need to identify and incentivize the appropriate capacity building and development strategies for these regions of the state. As part of addressing this challenge, policy makers will need to explore incorporating home-based child care into its larger system-building efforts.



Chapter Three: Far from Finished

Financing Louisiana's Early Childhood Education System

A lot of time, thought and energy has been dedicated to creating a strong early childhood education governance and accountability structure in Louisiana. There will always be more work and improvements to be made to that structure, but the focus now should be on finding more funding for the program and on how those dollars should be spent. While Louisiana has been successful at expanding access to pre-K through the LA 4 program, only 15% of children in need under age 4 have access to quality and affordable early care and education.

In this chapter, we look at the scope of recommendations for state and local funding, which has been sorely lacking, and the unusual opportunities and challenges presented by the windfall of federal stimulus dollars set to flow to Louisiana government bodies and child care operators in the next two years. The federal money is a bonus that can be employed as a catalyst and a capacity-builder to launch a new era of progress for early childhood programs. But state and local support eventually must be the enduring solution. Unfortunately, the past pattern and priority for that Louisiana-based support does not bode well.

THE GOALS

Louisiana's Early Childhood Care and Education Commission (ECCEC) released a milestone report two years ago titled, *Funding Our Future: LA B to 3*.⁸ It included research and data on the need for better quality and access to early care and educational options for Louisiana families. The

report said 173,000 children birth to age 3 are in need in Louisiana. It determined that two out of three children age 5 and under have both parents or their single parent working. Fewer than 7% of in-need children from birth through age 2 and fewer than 33% of 3-year olds can access publicly funded early care and education. Due to inadequate funding, the current system cannot meet the need. That gap negatively impacts children's learning and their families' participation in Louisiana's workforce.

The Commission recommended that Louisiana build upon the current foundation and create LA B to 3, a commitment to serve children birth to 3 with the same high-quality care as LA 4. The report recommended an investment of \$85.8 million and an increase of nearly that amount annually over the next decade. Currently, only 22,000 children in that age range are served. With this funding, the report said quality seats could be expanded to serve 114,000 Louisiana children in need, prioritizing children from birth through 3, the initial report said.

This projection estimated the cost per seat to be slightly less than \$8,000, which was the expense surveyed at the time. After a more recent survey, the estimated cost of providing care has increased to around \$12,000 per seat, meaning fewer children will be served by the Commission's original long-term goal of \$860 million in annual funding. The updated report released in March 2021 demonstrates that investing \$85.8 million a year starting now will result in a compounded economic benefit of \$1.8

billion over the next 10 years.⁹ The initial state investment is intended to launch this effort with an expectation of attracting additional means of financing thereafter, including local, state, federal and philanthropy support.

At first glance, the idea of spending more than \$800 million a year may seem like an overly ambitious or unachievable goal. But this level of expenditure is not out of line with state and local spending for children in K-12 schools in Louisiana.

The state's Minimum Foundation Program (MFP) provides state funding to local school districts according to a formula. The current formula provides \$4,125 as a base amount per pupil. However, this understates the total amount. Students considered gifted or with a disability might be weighted to count for more support. There are also other parts of the MFP that provide funding to local schools. The total budgeted amount for the MFP is \$3.9 billion. According to the October 2020 student count, there were 699,625 students enrolled, which results in about \$5,568 per pupil.

That figure is incomplete as it does not include local or federal funding. According to the Louisiana Department of Education, expenditures from the state MFP along with local and federal funding combined for a total of \$11,727 per K-12 student for 2018-19. Because of the higher student-to-teacher/caretaker ratio required in settings with young children, the cost of a subsidized seat for early childhood education ranges from about \$8,000 to \$12,000 per pupil including all administrative expenses. While the eventual goal of \$860 million per year is a lot of money, it is not out of proportion with what is spent for K-12 students, especially considering the number

of students who will be more academically successful if they have access to a quality early education experience.

CURRENT STATUS

In 2019, the Department of Education, upon the recommendation of the Commission,¹⁰ submitted a budget request of \$85.8 million to include the following new and expanded programs:

- \$44.1 million to expand access to an estimated 5,520 children on the Child Care Assistance Program (CCAP) wait list comprised of authorized children waiting for services.
- \$30 million to raise CCAP subsidies to more closely match the cost of providing child care.
- \$4 million to maintain the current level of pre-kindergarten services for 800 4-year olds in fiscal year 2020, due to the expiration of a temporary federal grant.
- \$6.7 million to support quality, measurement, professional development, and coordination for expanded service providers and classrooms.
- \$1 million to increase evidence-based, voluntary family support services.

Following the release of *Funding Our Future*, state aid was increased by \$18.8 million during the 2019 legislative session to begin to address the waitlist of families seeking early childhood services as well as maintain current funding for 4-year-olds that would have been lost due to a grant ending.

Fortunately, in December 2019, the Louisiana Department of Education received a three-year \$33 million competitive federal Preschool Development Grant aimed at creating 600 new seats at

early learning sites for low-income birth to 3-year-old children. The grant is meant to improve the quality of early childhood services and continue to build local communities' capacity to serve their children.

In his executive budget proposal in 2020, Gov. Edwards initially proposed increasing the state general fund support for early childhood education by an additional \$25 million, partially fulfilling his campaign pledge to make early childhood education a priority in this second term. However, this move, along with proposed increases in other parts of the budget, was rolled back in response to the COVID pandemic. A \$19 million increase from the previous year was protected.

The potential promise of early childhood education requires more than the state's status quo.

THE EARLY CHILDHOOD EDUCATION FUND

In an important move, the Legislature in 2017 created the Louisiana Early Childhood Education Fund. It provides matching state funds to local entities for early childhood expenditures. The ECE Fund is administered by BESE and provides a one-to-one match. The funds must be spent on providing seats in early learning centers for children birth through age 3 that are eligible for the Child Care Assistance Program. The money must flow to services for children of economically disadvantaged families and can only be spent in BESE-qualified centers.

The ECE Fund may receive money from the state general fund but it has three dedicated sources of revenue:

- A portion of tax revenue from Harrah's land-based casino in New Orleans in excess of \$65 million is required to be deposited into the fund. The amount that this stream can flow into the fund is capped at \$3.6 million; that cap appears unlikely to be reached anytime soon. In fiscal year 2020, when the threshold was lower, \$42,552 was deposited from this source. However, the casino's business was affected by the pandemic during that time.
- The second source of revenue is a 3% tax on hemp-derived cannabidiol (CBD) products. The initial estimates predicted this would generate approximately \$230,000 a year for the ECE Fund. The tax generated \$114,000 in fiscal year 2020 and \$163,000 so far this fiscal year.
- Third, in 2020 an 8% tax on net revenues of fantasy sports contests was dedicated to the ECE Fund. The potential annual revenue was estimated to be \$375,000, though that was speculative based on pre-COVID numbers extrapolated from similar activity in the state of New York. This form of wagering is much narrower than general sports betting, which was approved last year by voters in most parishes. Taxes on sports betting is being addressed by the Legislature.

The initial estimates for the total money that would be dedicated to the ECE Fund was only around \$1 million. Actual revenue has been far lower. After almost two years under operation with no expenditures, the

ECE Fund balance stands at \$318,000.

But the fund in concept is an important structure to encourage future investments in early childhood education and care. New Orleans is seeking to use the ECE Fund as a match by using some of its own dollars for that purpose. Additionally, Bossier and Caddo Lead Agencies and the Community Foundation of Northwest Louisiana, who are on track to raise \$1 million via individual donations to fund seats this fall, will be eligible for the match, as well. These pledges might be difficult for such local entities to sustain in the short-term given the economic blow dealt to the convention and tourism industry and other economic drivers during the pandemic.

Long-term, the fund could encourage local entities to put up money for child care knowing their investment will be matched by the state. This will happen if the state government pledges to endow the ECE Fund so that it will have sufficient money to match local investments. The state has an important role in funding, but the total cost of early childhood education should not be borne by the state alone. Locals have a vital role and the ECE Fund could represent an important partnership in fostering local financial involvement.

FUNDING EARLY CHILDHOOD PROGRAMS

Early childhood care and education should be a priority. National research shows that for every \$1 invested in high quality early care, the state yields as much as \$13 on investment.¹¹ Further, children who participate in high-quality early care and education programs are less likely to: require special education services; be retained a grade in school; dropout before high school graduation; develop a chronic

disease in adulthood; or be engaged in the criminal justice system.^{12 13} As a true priority, early care and education programs need a sizeable and sustainable boost. State general fund dollars need to be aligned to help. General fund dollars are always competitive to capture because of the number of programs seeking money, but history and other states show it is possible. A survey by the National Conference of State Legislatures called *Early Care and Education State Budget Actions 2019*¹⁴ found that from fiscal years 2017 to 2019 several states allocated general fund dollars to early childhood programs, including California, Connecticut, Massachusetts, Nebraska, New Mexico, North Carolina, South Dakota and Tennessee.

One of the state's chief financing strategies has been to create a series of minor funding dedications and tax credits to assist early childhood programs. These measures are useful and were hard-earned by proponents. But, even collectively, they do not represent nearly the level of state commitment necessary to meet the great potential promise of early childhood education. Previous ECE Fund dedications, as discussed above, bring in less than \$1 million. The legislature just added another dedication from sports betting that will eventually bring in \$20 million, still far short of what is needed.

Louisiana also has School Readiness Tax Credits, a series of tools designed to support and encourage quality child care. Five separate credits are available and are described in Appendix D of this report. As incentive programs, they offer a financial bonus to families, foster parents, child care providers and business philanthropists who are participating in the service or promotion

of quality child care. The state revenue loss from the tax credits can be used as a state match for federal child care grants. Their main intended impact is to encourage higher quality early childhood care and education. In fact, the value of the credits increase as the state rating of the associated child care center increases. In summary, the tax credit incentives provide a match for federal grants and are designed to drive up quality, although they are not actually substitutes for state and local funding needed to run early childhood programs.



FALLING FURTHER BEHIND

The state tax revenue picture is hardly grim, even with the national economic disruption of the pandemic. The state's official revenue estimate for the current fiscal year has been upgraded by nearly \$350 million while the forecast for next year is more than \$300 million on top of that. Another boost to the state budget is that the federal government last year increased its match rate for Medicaid-related spending and is continuing with that policy this year. That means the state can spend far less on health care and re-route those appropriations to other needs, at least temporarily.

The state assigns higher priority to various discretionary spending than to ECE programs.

The state budget each year assigns a higher priority to various discretionary spending items than to early childhood programs. Last year a pay raise worth \$60 million for state government employees passed due to a sort of reverse line-item veto by the governor, even while hundreds of thousands in the private sector lost their jobs. The Legislature also approved a supplemental appropriations amendment containing 113 local pork projects totaling \$22.6 million. In the 2021 session the legislature upped the ante by approving over \$70 million in special projects while adding no additional state dollars for early childhood education.

In the executive budget proposal for the

next fiscal year, K-12 teachers and staff and higher education employees are slated for pay raises, with a price tag that would be \$60 million or more. The proposal is based on the expectation that state general fund revenue will increase in the upcoming budget year. Early childhood programs were promised additional state funding only after the higher priorities of both the first and second level teacher pay raises were met. When additional revenue was recognized the legislature increased the K-12 pay raise with a new cost of \$80 million. However early childhood education got zero additional state funding.

The impact of these types of decisions ripples through state budgets permanently, as K-12 and college funding increases become institutionally locked into the regular operating budget. Each year that other ongoing programs – in education or otherwise – are increased in cost at the expense of early childhood programs, state funding of early childhood care and education falls further in the pecking order and has a steeper hill to climb in future years.

Although K-12 and college institutions would have much to gain in the long run from robust early childhood programs, they are not about to step aside when the state might dole out financial rewards. Ironically, the constant pressure for more education spending may be one of the biggest obstacles to early childhood education funding.

ALTERNATIVES

This situation represents an enduring and fundamental tension in the state's tax and spending culture. If innovative programs are needed, no matter how vital, the usual financial doctrine in Louisiana is to seek new taxes and revenue streams rather than resetting spending priorities with

existing resources.

PAR recently released a report, *Louisiana Constitutional Reform: An Enduring Fiscal Framework*, which offers a series of recommendations about the tax and spending portions of our unwieldy state Constitution. It provides a plan for restructuring the many constitutional trust funds to create greater flexibility in state spending priorities, including dedications that have been locked in without re-evaluation for decades. An earlier PAR report, *Innovation in Louisiana*, identified dedicated funding streams for higher education that need to be rethought and revised.

An example of an area that needs rethinking is the state's Revenue Sharing Fund, a constitutional mandate that the state general fund provide \$90 million a year to local governments. The money is distributed through a combination of a formula and annual legislation. The locals are under no obligation to focus their portions of the money toward spending on shared state-and-local priorities. PAR suggests that the state could allow local governments to use their Revenue Sharing monies as a local match for funding through the ECE Fund.

Although such a move may sound simple to achieve, the Revenue Sharing money is distributed differently to various local government entities in each parish. For a parish to use its Revenue Sharing dollars as a match, the various local government entities would have to adopt a holistic outlook about the welfare of the parish and agree to reallocate resources to create the opportunity. This might prove a tall order in some parishes, while others might welcome the funding option.

FEDERAL STIMULUS IMPACT

This year, there is no greater budgetary wild card than the federal stimulus money flowing out of the nation's capital in response to the pandemic and the economic recovery. In the most recent stimulus package, the state expects to receive more than \$3 billion while parishes and municipalities will get about \$2 billion that must be spent by the end of 2024. Plus, educational institutions are receiving windfalls of their own. Combining the 2020 and 2021

federal stimulus programs so far, about \$4.6 billion is headed to Louisiana K-12 education on the state and local levels. The money is divided into various programs with evolving rules about how it can be spent.

In December 2020 Congress passed the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA). The Louisiana Department of Education received almost \$179 million from CRRSA. While the Department is still reviewing the federal rules, the intent of the grant is to stabilize the child care sector from the economic damage suffered during the COVID pandemic. The initial plan is to use approximately \$143 million on financial support for centers and apply the rest to expand access.

Through the American Rescue Plan Act under the new Congress in 2021, Louisiana anticipates receiving nearly \$300 million in Child Care and Development Block Grants (CCDBG) and more than \$475 million for child care stabilization, totaling more than \$770 million to support child care and families. The \$475 million for stabilization in the ARP does not look like it can be used to expand child care. Combined with previous stimulus awards, Louisiana will receive more than \$1 billion to support child care and families. The details of how the money can be spent are still being worked out and the Department of Education is conducting listening sessions with stakeholders to get their input.

This spending situation could prove to be a boost for early childhood programs for fiscal year 2022, but a reliance of federal money in the near term could create sustainability problems for early childhood programs specifically and the long-term state budget outlook generally. State leaders need to develop a plan that funds early childhood programs now and also prepares the state for

Expand the MFP?

Should the state fund early childhood programs by expanding the state public school Minimum Foundation Program? The short answer is, no.

Each year the state, by constitutional mandate, follows a formula for distributing billions of state tax dollars to local school districts. This distribution method is used by many states as an invaluable supplement to the local financial support for schools. But school districts in Louisiana are not the providers of early childhood care for those age 0 to 3, and so would not be the venue for early childhood education, either. Private providers and school boards often work in partnership in several areas of early childhood education. However, putting school boards in charge of programs for those ages would be a massive expansion of government services into an area where providers generally are private operators. Further, funneling money through the MFP would embed the state's funding of early childhood services within a program mandated by the state Constitution, which could prove to be too inflexible for a program that is still developing the shape of early childhood education in Louisiana.

when the federal money runs out.

When the tide of federal money rolls away, those programs currently receiving state money will be in a distinct funding advantage compared to programs using mainly temporary COVID money. To combat this problem, the state should make investments in early childhood care and education and use federal money to build capacity through training, incentives and ECE Fund development. Some federal money could be used to provide access to quality child care centers. However, the state eventually will need a transition to state funds to carry on those expenditures.

THE DIRECTION OF SPENDING

Committing to additional funding is difficult. Where to spend the money is the relatively easier, though still important, question to answer. The bulk of any new money should be spent on direct services

for child care. However, there should be additional investments in accountability so that those systems continue to be at least as strong as they are now. Additionally, the Legislature should ensure the ECE Fund is sufficiently financed to match qualifying local expenditures.

Louisiana has made significant progress towards its goal of a comprehensive and integrated delivery system for early childhood care and education to ensure that every child enters kindergarten healthy and ready to learn. Louisiana has established an early child care and education system that is driving up quality through a unified rating system, higher program standards, efficiency and accountability.

In order to address these challenges, Louisiana must prioritize high-quality early child care and education investments based on the proven social and economic returns.



FUNDING RECOMMENDATIONS:

- Louisiana’s policy makers should prioritize state funding for early child care and education investments. Champions of early childhood education should emphasize big dollar commitments by the state.
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- Specifically, Louisiana should commit to appropriating \$86 million to early childhood programs and grow that amount over the next decade in combination with other resources to reach the recommendation of the state commission on early childhood education.
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- The Louisiana Early Childhood Education Fund should receive enough funding to match any qualified local expenditures on early childhood education. If the state honors its commitment, local entities will be encouraged to put up money for child care in the future, which will increase the number of kids served and split some of the costs.
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- The state should use the \$300 million in temporary federal CCDBG funding to expand and enhance child care in the state. However, the state must make a commitment to sustain those dollars that would be recurring expenses once the federal money runs out. The federal money should not be an excuse to avoid investing state money in child care now.
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- Additionally, some of the temporary federal dollars should be used to build capacity, particularly in areas with little quality child care. This can be done through enhanced training programs for child care center teachers and administrators. If allowable under the federal stimulus, this money could provide incentive grants to locals.
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- As funding for additional seats in high quality centers improves, funding for oversight and accountability must keep up. Louisiana’s accountability system is a model for other states and its funding must meet the pace. This is especially urgent with the temporary increase in federal funds.
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- Louisiana should review existing dedicated funds for redirection to early childhood programs.
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- Louisiana should aggressively explore innovative financing strategies, such as those used by other states and suggested by national think tanks. See Appendix C.