



LOCAL FUNDING TOOLKIT

**for Strengthening Early Care and Education
in Louisiana Communities**



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About the Toolkit

This toolkit is designed to help localities in Louisiana, including cities and parishes, understand potential funding levers for strengthening their local early care and education systems,

regardless of how well-established their current early care and education system is. Each section of the toolkit provides background information and guidance to support communities that want to expand access to quality early care and education programs.

Leaders in any Louisiana parish have the ability to become powerful agents of change in their communities by strengthening local early care and education systems, improving the educational outcomes of children, and supporting working families to ensure a strong economy.

In Louisiana, early care and education investments are largely funded with federal and state dollars. However, **local revenue streams offer an important means not just to expand early learning, but for community leaders to respond to the unique needs of children, families, businesses, and educators in their communities.**

Key Terms Used in the Toolkit

Public Funding: Funding allocated by a governmental entity—typically using tax dollars—as opposed to philanthropic foundations, private corporations, or individuals. Public investments are a key funding resource to support creating and bringing systemic change to scale. Because public funding is typically allocated in a transparent manner by democratically elected officials, it is often subject to a greater level of accountability to the community.¹

Private Funding: Funding allocated by private funders, including philanthropic foundations, private corporations, or individuals.

Local Government: Local governmental entities include cities, parishes, school districts, sheriff's offices, and special taxing districts created for specific or multi-jurisdictional purposes.²

Funding Stream: An ongoing source of funding, as opposed to a one-time budget item that may or may not be in place year after year.

The Basics of Early Care & Education in Louisiana



More investment, both public and private, is needed to help families access high-quality early care and education in their communities regardless of their income.



Child care costs almost as much as public college tuition in Louisiana, with infant care in a center costing over \$8,700 per year on average, according to Child Care Aware of America. Child care providers, like many small businesses, operate on narrow margins. The tuition that providers charge parents oftentimes does not cover the full cost of running a quality program. However, providers must ensure that tuition is affordable for families otherwise they risk pricing families out of their center altogether.



A significant cost for child care businesses is personnel. In order to provide high-quality care, center directors must hire and pay enough teachers to ensure low teacher-to-child ratios, or the number of adults based on the number of children in a classroom. Low teacher-to-child ratios are necessary to ensure children's health and safety and are linked to children's increased cognitive development, decreased behavioral problems, increased verbal development, and increased social competence. To provide quality programming and ensure child safety, many centers operate with teacher-to-child ratios below minimum state licensure requirements.



Quality early care and education is severely underfunded and out of reach for most low-income, working families with children under age 4. Less than 15% of low-income children under age 4 have access to any publicly funded program, including only 34% of 3-year-olds, 10% of 2-year-olds, 7% of 1-year-olds, and 3% of infants. In contrast, over 90% of 4-year-olds in Louisiana attend free public pre-kindergarten in schools or Head Start programs. Parish-specific data on early care and education access can be found [here](#).



Cost models show that centers rarely charge families the actual cost of care for their younger children. Centers use tuition for 3- and 4-year-olds to subsidize the cost of operating infant and toddler classrooms, which cost at least \$3,600 more annually than care for 3- and 4-year-olds. The teacher-to-child ratios to ensure quality are much lower in infant and toddler classrooms and therefore require more financial resources.³



Unfortunately, Louisiana's early care and education workforce is not well-compensated. Wages for child care educators in Louisiana average \$9.77 per hour, lower than both the national average (\$12.27) and the Southern states average (\$10.97). Many child care centers simply cannot afford to raise the wages of their staff because they are already operating on razor-thin margins. Child care educators tend to turn over quickly and leave the profession early, which negatively impacts the quality of care available to young children and also causes Louisiana child care businesses to struggle to find and retain talent.

Local Funding Streams & Strategies



Local governmental entities in Louisiana, including parishes, cities, towns, and school districts, have several options to fund early learning systems in their communities.

In addition to already existing tools for local revenue generation, local governments can petition state lawmakers to make amendments to state law that would enable them to adopt new strategies to fund early care and education. This section provides a menu of both options.

Currently Available Local Strategies to Expand Early Care and Education in Louisiana

The Louisiana Early Childhood Education Fund

The Louisiana Early Childhood Education Fund is a state matching fund that offers local entities in Louisiana a dollar-for-dollar match on investments made to expand access to quality early care and education for children who need it most. This state fund has been growing and has several dedicated sources of revenue, which, as of October 2022, include sports betting, Pelicans specialty license plates, land-based casinos, hemp-derived cannabidiol (CBD) products, and fantasy sports betting revenues.

Local Property Millages

A millage or millage rate is the tax rate that applies in the calculation of a specific property tax levy.⁴ When a property tax proposition is put before the voters, it will be for a certain millage rate for a certain period of time. An existing millage rate for a particular levy can change for a variety of reasons including the authorization of new millages, changes necessitated in order to provide adequate revenue for debt service, and the mandatory automatic adjustment of millages after a statewide reassessment. A growing number of cities and states across the country are using millages to allocate a portion of funds to early education (See local millage example in [New Orleans Case Study](#))

Louisiana School Readiness Tax Credits for Businesses

Louisiana offers five refundable tax credits for a variety of child care–related expenses or activities structured to incentivize quality care. One of the credits available to businesses is the Child Care Resource and Referral Credit, which allows a dollar–for–dollar credit to businesses for donations up to \$5,000 to their local resource and referral agency. Resource and referral agencies support parents and child care providers in their region. Support activities include helping families find child care and providing training, coaching, and professional development to child care providers. On average, this tax credit generates \$1.3 million in donations for resource and referral agencies annually. Local governments can partner with private entities to leverage these tax credits for the benefit of local programs (See local strategy used in [Pointe Coupee Parish](#)).

Line Item in Municipal or Parish Budgets

A municipal (town or city) or parish budget allocates funds to departments or functions. They can state a commitment to fund a specific government activity or program and allocate funds to a department to implement that funding through a resolution. This can include a dedicated allocation for funding early care and education programs, seats, and/or facilities. These investments, if made to expand access to quality early care and education, are eligible for a dollar–for–dollar match through the Louisiana Early Childhood Education Fund. (See local strategies used [New Orleans](#), [Jefferson](#), and [Shreveport](#).)

Juvenile Justice Prevention Funds

With the passage of [Act 627](#) during Legislative Session 2022, certain parishes* can now repurpose juvenile justice funding to include preventative services for young children and their families. Increasing access to early care and education and investing in early care and education infrastructure and parental support are eligible purposes. (See local strategy used in [Ascension Parish](#))

*These parishes include Acadia, Allen, Assumption, Beauregard, Bienville, Caddo, Caldwell, Cameron, Catahoula, Concordia, East Carroll, Evangeline, Franklin, Iberia, Jefferson, Lafayette, Lafourche, LaSalle, Madison, Orleans, Rapides, Richland, St. Bernard, St. Charles, St. Tammany, Tangipahoa, Tensas, Vermilion, Vernon, and West Carroll.

Repurposing Unused Space in Public Facilities (Micro Center Model)

National researchers, like Opportunities Exchange, have proposed a concept called a “micro center” to bridge the gap between family child care and center–based care. A key element to a profitable micro center model is having low–cost or no–cost space in which to hold a classroom. This can be achieved through partnering with public, charter, or private schools, or local businesses with available, appropriate space. In Louisiana, a [micro center](#) can be located in a residence, school, or other location and would operate to serve 7–12 children. Micro centers operate in all other respects in the same manner as a traditional center, including meeting teacher–to–child ratio requirements and quality standards. Shared service elements, (e.g. having one director managing several micro centers) can also make a micro center model profitable. (See local strategy used in [East Baton Rouge Parish](#).)

Private Investments

The business community can make an investment in early care and education through child care benefits or subsidies for their employees or through directly providing child care services as a business investment in local workforce preparation. (See local strategy used in [Shreveport](#).)

Local Strategies from Other States

Municipal Bonds

Expanding the use of tax-exempt municipal bonds provides another avenue for driving private dollars to local early care and education programs. State and local governments generally issue municipal bonds for long-term financing of capital projects. Uses vary greatly, but can include the construction of early care and education capital projects since they are a type of public benefit project. Projects that are funded through a municipal bond affect the taxability of income received by bondholders. Interest income earned on bonds that fund public good projects are generally exempt from federal income tax, and although interest rates on municipal bonds are lower than other securities, investors are willing to purchase them because that interest is tax exempt. This trade-off encourages private investments in these public good projects and could be a mechanism for drawing additional private financing into early childhood education capital projects to help expand capacity for child care seats and serve more children and families. (See [Winston Salem/Forsyth County bond proposal](#) that focused on pre-kindergarten classrooms in its district.)

Community Reinvestment Act (CRA) Agreements with a Financial Institution

The Community Reinvestment Act, originally passed in 1977, is a banking regulation intended to combat the negative effects of redlining by encouraging commercial banks to contribute to community development and increase accessibility to credit. Advocates are beginning to discover that these same regulations can be used to help generate funds for children and youth services. Also, the Federal Reserve, which performs and monitors CRA evaluations of financial institutions, has recently expressed an interest in advancing early childhood and youth development opportunities. CRA agreements are made between community organizations or governing bodies and financial institutions that pledge a multi-year program of lending, investments, and/or services from the bank towards CRA activities for the community. Two of the regulatory definitions of CRA activities are for banks to focus on community development and business development. For example, CRA funds may be used to invest in child care and pre-kindergarten services, which support community growth by encouraging families to work and help small private child care businesses to thrive. With more financial institutions realizing the economic benefits of expanding and improving early care and education and providing increased out-of-school time opportunities to support parents in the workforce, CRA agreements may be an additional resource for supporting early care and education in local communities.⁶ (See [PNC Bank 'Grow Up Great'](#) investment in early care and education in several cities throughout the country.)



Payment in Lieu of Taxes (PILOT) Recapture

Payment in lieu of taxes (PILOT) is a voluntary agreement entered into between a local government and a business to create jobs or build facilities. Instead of paying the normal property and/or sales taxes the business would owe under the law, the PILOT allows the business to pay some fixed yearly contribution over a set period of time. Once this PILOT agreement sunsets and the business begins to pay taxes, localities can plan to direct, or "recapture" the newly received tax dollars into a dedicated children's fund. PILOT recapture is a way to create a local dedicated fund without generating revenue from a change to the tax code. PILOT recapture essentially redirects "existing" funds, or funds that newly emerge for use after a PILOT agreement sunsets.⁷ In 2018, Memphis Mayor Jim Strickland and members of the Memphis City Council created a [dedicated fund using PILOT recapture revenues](#) to provide increased funding for pre-kindergarten programming.

Community Benefit Obligations from Non-Profit Hospitals

Non-profit hospitals are mandated by federal tax code to invest in the health of their communities. The Affordable Care Act (ACA) requires charitable 501(c)(3) hospitals to provide community benefits including conducting a Community Health Needs Assessments (CHNA) every three years, creating a community benefits plan to address those needs, and reporting to the IRS whether and how they engaged voices from the community when creating their plan.⁸ (See how [North Shore Medical Center provided a \\$350,000 grant to Salem, MA](#) through its community benefits program to support the implementation of the City Connects program in all PK-8 schools.)

Maximizing Funding Streams

Local communities can utilize multiple funding streams in order to maximize their investments in early care and education through various strategies which are further explained below.

State Matching Funds: Local communities that make investments to expand access to high-quality early care and education are eligible for a dollar-for-dollar match through the Louisiana Early Childhood Education Fund. In April 2020, BESE promulgated rules and regulations for the Louisiana Early Childhood Education (ECE) Fund. Funding available through the ECE Fund will be awarded annually to local entities to expand the number of publicly funded seats in Type III early learning centers for economically disadvantaged families. In order to be eligible for these funds, local entities must demonstrate that they have secured a non-state and non-federal funding match at a rate of at least one-to-one of the amount they are seeking from the ECE Fund.⁹

Braiding: Local communities can braid funds that increase access to high-quality early care and education. Braiding is “funds from two or more funding sources are coordinated to support the total cost of services to individual children, but revenues are allocated and expenditures tracked by categorical funding source.” Braiding requires a higher level of accounting precision with cost allocation methods employed and the ability to track revenues and expenses by individual funding source. Examples of entities that use braided funds include child care providers, the Child Care Assistance Program, Early Head Start, and Head Start.¹⁰

Blending: Local communities can blend funds that increase access to high-quality early care and education. Blending is “funds from two or more separate funding sources are wrapped together within one unified set of program services to children.” Funding sources lose their program-specific identities, meaning that costs do not have to be allocated or tracked separately by funding source. This approach is less burdensome from an administrative perspective than braiding. It can be challenging to blend federal funds, however, because of regulatory and accounting requirements typically associated with federal funding.¹¹

Layering: Local communities can layer funds that increase access to high-quality early care and education. With layering, different funds are used to support the costs of a common goal. Typically, foundational layers of funding that support core child care services are supplemented with additional layers of funds that support other program-, family-, or child-level services. An advantage of this approach is that one layer of funding can be removed without affecting the provision of services covered by other funding sources.¹²

Examples of Local Funding Strategies in Louisiana

Local Property Millage Strategy (New Orleans)

In 2022, **New Orleans** voters approved a property tax measure aimed at creating 1,000 or more early childhood seats for low-income children via its City Seats program every year for 20 years. The millage, which will raise about \$21 million in its first year, adds \$50 annually on each \$100,000 of property value above the \$75,000 homestead exemption, according to the Bureau of Governmental Research. That translates to an annual cost of \$172.50 on a house valued at \$420,000. About 70% of the money raised by the tax is slated to go directly toward children's seats at early learning centers, with the rest toward overhead and expenses like building new centers, teacher training and retention, and family outreach.

Line Item in Municipal or Parish Budgets Strategy (New Orleans and Jefferson)

New Orleans allocated \$3 million in its city budget to create the "City Seats" program. This program provides quality early care and education to local families as well as some wrap-around services and is modeled after Early Head Start. New Orleans first dedicated city money to this program in 2017 and increased its investments annually.

Jefferson Parish initially allocated \$250,000 in its parish budget to support expanded quality early care and education offerings to local residents. Then, in May 2022, Jefferson Business Council donated \$30,000 to the Jefferson Ready Start Network Future Fund. The critical donation made the network eligible for a matching donation through the Louisiana Early Childhood Education Fund (ECE Fund). Three months later, the Jefferson Parish Council allocated \$275,000 of its budget to support early care and education efforts for the second year in a row.

Louisiana School Readiness Tax Credits for Businesses Strategy (Pointe Coupee)

Pointe Coupee Parish Early Childhood Coalition leveraged school readiness tax credits to encourage greater local investment in quality programs benefiting 3-year-olds. While Louisiana averages serving half of at-risk 3-year-olds statewide, Pointe Coupee Parish serves over 90% of its 3-year-olds.

Juvenile Justice Prevention Funds Strategy (Ascension Parish)

The **Ascension Parish** Sheriff's Office and parish government, with support from several community leaders and partners, are investing juvenile justice dollars to build and support the operations of the only Type III early learning program that serves infants and toddlers in Donaldsonville as part of a new community center at the former West Ascension Elementary School site. This project represents the planned expansion of the Ascension Parish Sheriff's Office's Hickley M. Waguespack Center and Park, which has provided opportunities for children to play, receive academic support, and foster positive interactions with members of law enforcement.

Repurposing Unused Space in Public Facilities Strategy (Micro Center Model) (East Baton Rouge)

East Baton Rouge Parish School System has expanded its pre-kindergarten offerings for 4-year-olds and expanded child care coverage of 3-year-olds by utilizing empty classrooms in district schools and partnering with local, quality-rated child care providers to staff those classrooms. The project is currently being funded with federal relief dollars, including federal dollars dedicated to developing a strategic plan to finance the expansion long-term after relief aid expires.

Private Investment Strategy (Shreveport)

Shreveport engaged with local business leaders and philanthropic organizations to fundraise \$1 million to support expanded quality early care and education offerings to local residents. This initial investment helped encourage funding from its city council, which also approved Ordinance 112 to provide \$3 million in funding for the Shreveport Early Start Initiative.

Community Readiness Assessment

Before a community launches a local initiative to address early care and education needs, it should identify areas for development and consider a number of questions (see sample assessment questions below). These questions will provide guidance and should be completed with a small group of diverse stakeholders who are committed to strengthening early childhood education systems, prepared to ask and answer hard questions, and willing to work. These stakeholders can include community advocates, policy and research organizations, business leaders, United Ways, faith leaders, philanthropic leaders, and government leaders. These questions will help focus efforts and ensure important stakeholders are included and prepare for a successful launch of an initiative.

Community Readiness Assessment Questions

to Consider for Expanding Access to High-Quality Early Care and Education:

Identifying the Challenge/Need

- What are the most pressing challenges/needs in your community?
- How do these challenges/needs impact your community?
- Who is impacted by these challenges/needs?
- How many children and families are impacted by these challenges/needs?

Identifying the Solution

- What can be done to address the identified challenges/needs?
- Who will benefit?
- How many will benefit?
- What will be different in the community with the solution?

Funding the Solution

- How much funding is needed for the solution?
- Is this a one-time cost or ongoing?
- What funding strategy/source will best support the solution?
- Who manages/governs that funding strategy/source?
- What are the challenges/obstacles for leveraging that funding strategy/source to fund the solution?
- Are matching funds available?

Creating the Momentum

- What evidence, data, or research supports the solution?
- What are the main points for supporting the solution?
- Who are the helpful partners that can support casemaking for the solution?
- What communities/constituencies should be involved in supporting the solution?

Making It Happen

- Are there any state or local laws/regulations that may be a barrier to the solution or funding strategy/source?
- What are the steps necessary for implementing the solution and establishing the funding strategy/source?
- What is the timeline for completing the necessary steps?

Footnotes

1. **Creating Local Dedicated Funding Streams for Kids**, Funding the Next Generation
2. **Creating Local Dedicated Funding Streams for Kids**, Funding the Next Generation
3. **Modeling Quality Child Care Center Costs and Revenues in Louisiana**, Louisiana Policy Institute for Children
4. **Louisiana Property Tax Basics**, Louisiana State Legislature
5. **Innovative Financing for Early Childhood Education**, Save the Children Action Network
6. **Innovative Financing to Expand Services So Children Can Thrive**, Children's Funding Project & Education Redesign Lab at Harvard Graduate School of Education
7. **Innovative Financing to Expand Services So Children Can Thrive**, Children's Funding Project & Education Redesign Lab at Harvard Graduate School of Education
8. **Innovative Financing to Expand Services So Children Can Thrive**, Children's Funding Project & Education Redesign Lab at Harvard Graduate School of Education
9. **Maximizing Funding Streams**, NC Early Childhood Foundation
10. **Maximizing Funding Streams**, NC Early Childhood Foundation
11. **Maximizing Funding Streams**, NC Early Childhood Foundation
12. **Braiding Federal Funding to Expand Access to Quality Early Care and Education and Early Childhood Supports and Services**, ASPE & Mathematica