

# Early Childhood Educator Tax Credit

## Bill #1: Early Childhood & School Readiness Legislative Commission

Reps. Sirota & Van Beber | Sens. Buckner & Kirkmeyer

Colorado's recovery from the pandemic and economic downturn hinges on ensuring parents can return to work. Access to child care is a necessary work support and disruptions in care arrangements or inability to find child care harms workforce participation, especially among women and people of color. However, many providers are struggling to keep their doors open and, sadly, many have closed their doors permanently.



- 80% of centers are experiencing a staffing shortage
- 78% identify low wages as why recruitment & retention remain a challenge
- 50% are serving fewer children
- 33% cannot open new classrooms
- 25% have reduced operating hours
- More than 1/3 are considering leaving the field or shutting down this year and that percentage is higher for minority-owned programs

### Child care is a reality for families

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 day.

### Child care is expensive

Early education workforce challenges are creating instability in the industry and increasing the unaffordability of child care due to high turnover—four times more frequently than other educators.

### Child care impacts the labor force

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.

### Child care supports job creation

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.

## How does the EC Educator Tax Credit work?

An effective Early Childhood Educator Tax Credit encourages improvements in providers' quality, improves compensation of the early childhood workforce, and increases access to child care providers for those facing the greatest barriers. Key features include:

- Tiered credit tied to an educator's credential level
- Adjusted annually for inflation
- Length of service in the classroom requirement during the tax year
- Means-tested
- Targeted to providers enrolled with CCCAP or Early/Head Start and engaged with the Quality Rating System
- Refundable credit so it is available to all eligible members of the early childhood workforce

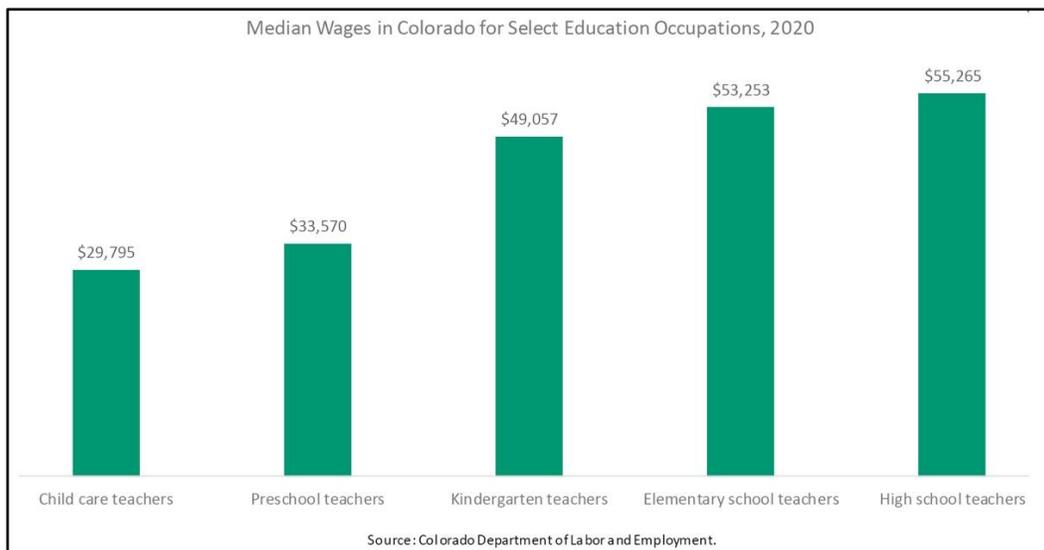
## What is the evidence of success?

### *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.

### *Advancing the economic self-sufficiency of the early childhood workforce*

- This credit has had a substantial impact on the take-home income of an underpaid early childhood educators who are providing a valuable service to families and children. Each year, nearly 4,000 early childhood educators in Louisiana were able to increase their pay because they pursued education and training.



## Supporters:

Clayton Early Learning  
Colorado Children's Campaign