



# Innovative Approaches

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- ***Community alliances design strategies to improve the affordability and profitability of child care.***

Whether it's a partnership in Rochester supporting middle-income families through their community fund, or a team in Minnesota using higher education finance as model for child care, across the country communities are designing new strategies for financing early education.

- ***Business and government partnerships improve the effectiveness of public subsidies.***

Public subsidies, underutilized and limited to only the poorest families, are not sufficient to bridge the gap between needs and resources. A family with two children making \$35,000 a year is ineligible for government subsidies, but will find the cost of child care a considerable burden. However, if private investment in child care are combined with public subsidies the needs of all families can be better served.

- ***Businesses which support child care report increased productivity, reduced absenteeism, and improved employee morale and loyalty.***

Child care pays dividends. From substantial tax breaks to lower turnover rates, returns from child care are far-reaching. Levi-Strauss has been able to maintain a skilled labor force by providing child care vouchers with pre-tax wage set asides.

- ***New ideas and models from the private sector strengthen child care as an economic sector.***

Initiated by concerned business leaders and supported by a foundation grant, Educare Colorado illustrates how the business community can turn the child care sector into a more professional, sustainable, and cost-effective industry. With a strong, inclusive business plan, this thriving public-private partnership is focusing its efforts on two fronts: 1) developing a fundraising scheme, and 2) increasing the demand for quality child care through consumer education and service improvement.

**Tompkins County has the resources to enhance the quantity and quality of early education as well as reap the benefits of a dependable workforce, new jobs, and healthy kids.**

**Join the Day Care and Child Development Council and the Chamber of Commerce to create an Early Education Partnership and share ideas on how Tompkins County can effectively meet our early education needs.**

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The Early Education Partnership is a collaborative project of the Day Care and Child Development Council of Tompkins County, Inc. and the Tompkins County Chamber of Commerce. Research assistance provided by the Cornell University Department of City and Regional Planning.

For more information:

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## ***A Tax Code Solution***

**The Dependent Care Assistance Plan (DCAP) is a pre-tax wage set aside which permits both employees and employers to save money while investing in child care.**

- Employers can withhold up to \$5000 in pre-tax income for a family's child care expenses. By placing \$5,000 in a DCAP, an employee can see \$1,500 in tax savings, while an employer saves \$400 in payroll taxes.
- A DCAP reduces the employee's taxable income and may help low-income workers become eligible for the Earned Income Tax Credit (EIC).
- With the added benefit of the EIC, families may gain more from a DCAP than from the dependent care tax credit. A family of four with two children making \$32,000 a year and spending \$5,000 on day care would save \$1,210 in tax liability by claiming both the federal and New York State dependent care tax credit. However, by using a DCAP the same family would save \$2,147, an additional \$937 in savings.

### ***New York State: Making DCAP Easy***

The New York State government has made its DCAP plan more employee-friendly by ensuring that refunds are processed quickly. New York's plan also does not withhold money the first or last month of the year in order to aid their employees' cash flow.

*For more information:*

*[www.pewtrusts.com/pubs/childcare/child016.cfm](http://www.pewtrusts.com/pubs/childcare/child016.cfm)*

## ***Innovative DCAP Approaches***

***Most communities and businesses use DCAPs as the foundation for more creative investments in child care.***

### **Levi-Strauss Child Care Vouchers**

- Levi-Strauss uses the company's dependent care assistance plan to reimburse some of their workers with vouchers. Each eligible employee can receive up to \$100 a month, up to 50 percent of their child care costs, costing the company \$100,000 per plant. The voucher program enables parents to choose and afford the form of care that best suits their needs. These vouchers are paid directly to the day care providers and are cycled through the company's DCAP, making the benefit non-taxable.

*For more information: [www.pewtrusts.com/pubs/misc/childcare/child036.cfm](http://www.pewtrusts.com/pubs/misc/childcare/child036.cfm)*

### **Con-Agra Child Care Discounts**

- Con-Agra Refrigerated Foods, the maker of Butterball turkeys, uses its buying power to address child care shortage during critical work hours, by keeping some child care centers open during evenings and weekends. The company helps low wage workers afford quality care by buying slots at area child care centers and selling them back to employees at reduced rates. Con-Agra saves money by using pre-tax DCAP accounts to cycle the day care funds to the centers. Parents choose their own providers and Con-Agra is ensured reliable care during non-standard hours.

*For more information: [www.pewtrusts.com/pubs/misc/childcare/child035.cfm](http://www.pewtrusts.com/pubs/misc/childcare/child035.cfm)*

### ***A New Possibility: A Community DCAP Fund***

- DCAPs are underutilized by employees and employers in Tompkins County. Small businesses are apprehensive about the hassle of managing DCAPs and employees are worried about waiting for reimbursement or losing money if their early education needs change. These problems could be resolved if we developed a community fund to administer DCAP in our county.

***If half of the families needing child care in the county utilized DCAP, and employers passed some of the payroll tax savings on to a community fund, \$300,000 a year could be raised in additional subsidies!***

## ***Working Together to Make a Difference***

***Public-private partnerships make child care assistance more cost-effective for small and medium sized businesses.***

Communities have found partnerships to be a particularly helpful strategy in addressing the structure, supply, and affordability of child care in their communities. The more stakeholders involved in creating the solution, the larger the constituency that benefits.

### ***Community Child Care Funds***

***This strategy pools capital and resources from different sectors to finance providers and assist working parents.***

- **Early Childhood Development (ECD) Initiative: Rochester/Monroe County, NY**

As a conglomeration of non-profit, government, religious, and business leaders, the ECD community fund has taken a more comprehensive approach by funding voucher programs, certification, training, and the construction of child care facilities. ECD strives to build a community-based network to promote a self-sustaining child care sector. While parents still contribute most of the funds, government subsidies (\$32.6 million) along with substantial contributions from the Rochester United Way (\$2 million), local foundations (\$400,000), and the Diocese of Rochester (\$2 million) have made the initiative a successful endeavor.

*For more information: [www.pewtrusts.com/pubs/misc/childcare/child051.cfm](http://www.pewtrusts.com/pubs/misc/childcare/child051.cfm)*

- **Marin Child Care Scholarship Program: Marin County, CA**

The Marin Education Fund (MEF) developed a child care scholarship program to focus specifically on individual families and their needs. Originally designed to help families whose income exceeded the eligibility limits for government child care subsidies, it has recently expanded to support families who make up to \$40,000 a year. Since families must use licensed providers, MEF also makes grants to early education centers in order to expand and improve the county's child care sector. With matching donations from the Marin Community Foundation, this \$6 million endowment generates \$225,000 a year for child care scholarships.

*For more information: [www.mefund.org/child.html](http://www.mefund.org/child.html)*

- **Early Childhood Initiative: Allegheny County, PA**

The Early Childhood Initiative (ECI) focuses on extending quality early education to low-income children and developing a more unified sector. Through a neighborhood based planning process communities may receive ECI funds to invest in child care facilities, provide training and technical assistance, help with the cost of program accreditation, and other quality improvement and supply-building efforts. Established with a \$1 million challenge grant from the Heinz Endowment, this public-private partnership has set a goal of raising \$59 million in private contributions over the first five years with the help of the United Way. The ECI will be sustained over the long range with dedicated public financing.

*For more information: [www.pewtrusts.com/pubs/misc/childcare/child046.cfm](http://www.pewtrusts.com/pubs/misc/childcare/child046.cfm)*

### ***Higher Education: A Child Care Finance Model***

- **The Minnesota Early Care and Education Financing Partnership is using higher education as a financial aid model to increase the accessibility of early education.**

In addition to lobbying for increased government funding, the Minnesota Partnership is exploring community and state-wide endowment funds; low-interest, subsidized, and guaranteed loans; tax credits; and tax-exempt savings and investment plans. They are also exploring a work-study option where parents could provide needed services in exchange for a full or partial subsidy. One goal is to make government funds more flexible so they can finance both programs and parents.

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## ***Economic Development***

### ***Government tax policies, economic development plans, and subsidies can enhance private sector investment in early education.***

Private sector subsidies only account for 1% of early education investments. More effective design of government subsidies (39%) could reduce the over-reliance on parent fees (60%). Business coalitions have used their political leverage to improve the effectiveness of government subsidies. Similar to government investments in transportation and housing, early education subsidies can increase the profitability of private sector investment in child care.

*For more information: [www.earlychildhoodfinance.org](http://www.earlychildhoodfinance.org)*

- **Palm Beach: Special Districts**

In Palm Beach, Florida a special district was created to finance local child care. Through a special tax levy, money is raised to support child care subsidies as well as quality improvement.

*For more information: [www.pewtrusts.com/pubs/misc/childcare/child007.cfm](http://www.pewtrusts.com/pubs/misc/childcare/child007.cfm)*

- **Geneva NY: Child Care is Integral to Economic Development**

The City's Department of Planning and Economic Development recognized dependable child care would help make downtown more attractive to business. As an integral part of the government's development scheme, Geneva's Lakefront Child Care Center received a \$700,000 grant to expand its services and raise workers' salaries.

- **Chemung County: Planning for the Future**

The Chemung County government commissioned a \$24,000 study to do a comprehensive assessment of their child care needs. The study identified the need to restructure the child care sector to provide quality affordable care during non-standard hours.

## ***Capital Development***

- Affordable housing finance models can be applied to the child care sector to create or improve facilities. The provider of capital gets credit toward Community Reinvestment Act requirements and the center gains access to long term, low interest capital. The Center for Community Self Help Credit Union funds child care centers throughout North Carolina using this model.

*For more information: [www.self-help.org](http://www.self-help.org)*

## ***Business-Oriented Planning***

- Educare Colorado, a public-private partnership, is striving to create a market demand for quality early education by investing in consumer education and developing fundraising schemes to make care more affordable. Educare attributes much of its success to an effective business plan that helps to clearly define their goals.

*For more information: [www.nccic.org/ccpartnerships/cases/colorado.htm](http://www.nccic.org/ccpartnerships/cases/colorado.htm)*

## ***Centralized Administration of Centers***

- The business community can help child care establishments identify new management strategies that maintain quality of service and reduce overhead costs. Even the smallest certified child care businesses bear relatively heavy administrative requirements for billing, collections, and record keeping. Efficiency and professionalism may be enhanced through centralized administration.