



Extra Credit

How Louisiana Is
Improving Child Care

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The National Women's Law Center is a non-profit organization that has been working since 1972 to advance and protect women's legal rights. The Center focuses on major policy areas of importance to women and their families, including employment, education, reproductive rights and health, and family economic security – with special attention given to the needs of low-income women. Nancy Duff Campbell is Co-President, Joan Entmacher is Vice President for Family Economic Security, Helen Blank is Director for Child Care and Early Learning, and Amy K. Matsui is Senior Counsel at the National Women's Law Center.

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Table of Contents

Executive Summary	2
Introduction	5
High-Quality Child Care	5
The School Readiness Tax Credits	5
Quality Start Child Care Rating System	6
Pathways.....	7
Child Care Assistance Program.....	8
Child Care Credit	8
Child Care Resource and Referral Agencies	8
Methodology	9
School Readiness Tax Credits	10
Child Care Provider Tax Credit	10
Claiming the Credit.....	10
Claims of the Provider Credit, 2008-2011	10
Credit for Child Care Directors and Staff	12
Claiming the Credit.....	14
Claims of the Director and Staff Credit, 2008-2011	15
Child Care Expense (Parent) Credit.....	15
Claiming the Credit.....	20
Claims of the Parent Credit, 2008-2011.....	21
Business-Supported Credit.....	24
Claiming the Credit.....	25
Claims of the Business-Supported Credit, 2008-2011	25
Resource and Referral Agency Credit.....	28
Claiming the Credit.....	28
Claims of the R&R Credit, 2008-2011.....	30
Claims of the School Readiness Tax Credits in the Aggregate, 2008-2011.....	31
Impact of the School Readiness Tax Credits on Improving Child Care Quality for Louisiana Families	33
The Number of Child Care Centers Participating in Quality Start Nearly Doubled, and the Number and Proportion of These Centers With Quality Ratings of Two or More Stars Increased Even More Significantly Between 2008 and 2011 ...	33
The Number of Child Care Directors and Staff With Pathways Career Ladder Credentials Classified as Level 1 to Level 4 More Than Tripled, the Number of Directors and Staff With Career Ladder Credentials Classified Above Level 1 Increased Almost Sixfold and the Proportion of Directors and Staff With Career Ladder Credentials Classified Above Level 1 Almost Doubled Between 2008 and 2011	35
The Number of Children Under Age Six Receiving CCAP Subsidies or Foster Care Services Who Were Enrolled In Centers With Quality Ratings of Two or More Stars Increased, and the Proportion of Such Children Increased Significantly, Between 2008 and 2011, Despite a Decline in the Number of Children Receiving CCAP Subsidies.....	36
Conclusion	39

Executive Summary

THIS REPORT ANALYZES THE IMPACT OF A UNIQUE PACKAGE OF TAX CREDITS intended to improve the quality of child care in Louisiana – the School Readiness Tax Credits – in the first four years of their implementation.

The news is good. Between 2008, when the credits took effect, and 2011, utilization of the credits resulted in millions of dollars in new investments in child care quality. The amount claimed for all of the School Readiness Tax Credits more than tripled, increasing from more than \$4.1 million in 2008 to nearly \$14.1 million in 2011. Over the same period, there were measurable improvements in the quality of child care in Louisiana, including for low-income children.

The five separate tax credits that make up the package target different groups of stakeholders, all of whom have a role in increasing the quality of care children receive (see sidebar). To each of these stakeholders, the credits provide meaningful assistance to improve quality. With the exception of the portion of the Parent Credit for families with income above \$25,000, the credits can be worth thousands of dollars for claimants – including as a tax refund for claimants with little or no tax liability. The credits also complement each other – often providing overlapping and mutually reinforcing benefits – and are integrated with the Louisiana Quality Start Child Care Rating System (Quality Start), the state's voluntary system for rating child care centers; with Louisiana Pathways Child Care Career Development System (Pathways), the state's child care career development system; and with the state's Child Care Assistance Program (CCAP).

The correlation between the specific incentives and resources provided by the credits and the following outcomes provide strong evidence of the impact of the credits on improving the quality of care in Louisiana between 2008 and 2011.

WHAT ARE THE SCHOOL READINESS TAX CREDITS?

The Child Care Provider Credit (the Provider Credit) is an income tax credit available to child care providers whose facilities have a Quality Start rating of at least two stars. The amount of the credit varies based on the quality rating of the facility and the average monthly number of children the facility serves who are receiving CCAP subsidies or foster care services through the Department of Children and Family Services (DCFS). The higher the quality rating, the higher the credit amount per child; the greater the number of eligible children, the higher the credit amount. The credit amount ranges from \$750 to \$1,500 per child. The credit is refundable and available to both for-profit and non-profit child care providers.

The Credit for Child Care Directors and Staff (the Director and Staff Credit) is an income tax credit available to child care directors and staff with Pathways Career Ladder credentials classified as Level 1 to Level 4, and employed, for at least six months out of the tax year, at a child care facility participating in Quality Start. The higher the director or staff member's credential level, the higher the credit amount. The initial credit amounts for each level are set by statute and adjusted annually for inflation; they ranged from approximately \$1,524 to \$3,048 in 2011, and the credit is refundable.

WHAT ARE THE SCHOOL READINESS TAX CREDITS? *continued*

The Child Care Expense Credit (the Parent Credit) is an income tax credit available to families who incur child care expenses for children under age six enrolled in child care facilities with a Quality Start rating of at least two stars. The higher the rating of the child care facility, the higher the credit amount. The credit amounts range from 50 to 200 percent of a family's Louisiana Child Care Credit, and the credit is most valuable, and refundable, for families earning \$25,000 or less, who can receive a maximum of \$2,100 for each eligible child. Eligible families may claim both the Child Care Credit and the Parent Credit.

The Business-Supported Credit is an individual or corporate income tax or corporate franchise tax credit available to businesses for eligible child care expenses paid by the business to child care facilities with a Quality Start rating of at least two stars. The higher the quality rating of the facility, the higher the credit amount. The credit amounts range from 5 to 20 percent of eligible expenses; the amount of eligible expenses is capped at different levels, depending on the type of expense, and the credit is refundable.

The Resource and Referral Agency Credit (the R&R Credit) is a dollar-for-dollar individual or corporate income tax or corporate franchise tax credit for businesses who make donations or pay fees, up to \$5,000 per tax year, to child care resource and referral agencies. It is refundable, and eligible businesses may claim both the Business-Supported Credit and the R&R Credit.

First, the number of child care centers participating in Quality Start nearly doubled, and both the number and the proportion of these centers with higher quality ratings increased even more significantly. The number of centers participating in Quality Start increased from 484 in 2008 to 924 in 2011, bringing more centers into a system that publicly evaluates their quality. The number of centers

with higher quality ratings – two to five stars – increased more than sixfold, from 73 in 2008 to 460 in 2011, and the proportion of centers with quality ratings of two to five stars more than tripled, from 15 percent in 2008 to almost 50 percent in 2011.

The fact that the number of centers participating in Quality Start increased significantly between 2008 and 2011 points strongly to the impact of the tax credits, because participation in Quality Start is an eligibility requirement for four of the five School Readiness Tax Credits (the Provider Credit, Director and Staff Credit, Parent Credit, and Business-Supported Credit). The fact that the number and proportion of centers with quality ratings of two to five stars increased even more dramatically between 2008 and 2011 points strongly to the impact of the tax credits, because for three of the five credits (the Provider Credit, Parent Credit, and Business-Supported Credit) the higher the quality rating, the larger the credit amount.

Second, the number of child care directors and staff with Pathways career development system credentials classified as Level 1 nearly tripled, the number of directors and staff with higher-level credentials increased nearly sixfold, and the proportion of directors and staff with higher-level credentials nearly doubled. The number of directors and staff with Level 1 credentials increased from 963 in 2008 to 2,620 in 2011. The number of directors and staff with higher-level credentials – Levels 2, 3 or 4 – increased, from 284 in 2008 to 1,603 in 2011, and the proportion of directors and staff with these higher-level credentials, as a share of all directors and staff with Level-1-to-4 credentials, increased from 23 percent in 2008 to nearly 40 percent in 2011.

The fact that the number of directors and staff with Pathways credentials at these levels increased significantly between 2008 and 2011, and that the number and proportion of directors and staff with higher-level credentials increased even more dramatically, points strongly to the impact of the Director and Staff Credit, because only directors and staff with at least Level 1 credentials are eligible for the Director and Staff Credit and the higher the credential level, the larger the credit amount.

Third, the number of children under age six receiving CCAP subsidies or foster care services who were enrolled in centers with higher quality ratings increased, and the proportion of such children increased significantly, despite a decline in the number of children receiving CCAP subsidies.

Although the number of children receiving CCAP subsidies declined by about 21 percent between 2008 and 2011, due largely to a reduction in the income eligibility limit for families to qualify for CCAP, the number of children under age six receiving CCAP subsidies or foster care services who were enrolled in child care centers with quality ratings of two to five stars increased slightly, from 9,291 in 2008 to 9,418 in 2011. Moreover, the proportion of such children enrolled in centers with quality ratings, as a share of all children under age six receiving CCAP subsidies or foster care services enrolled in all centers, increased from 54 percent in 2008 to 67 percent in 2011, and the proportion of such children enrolled in centers with quality ratings of two to five stars increased from 30 percent in 2008 to 43 percent in 2011.

The fact that the proportion of children under age six receiving CCAP subsidies or foster care services enrolled in centers with quality ratings of two to five stars increased between 2008 and 2011 points strongly to the impact of the credits on the enrollment of children in higher-quality-rated centers, because eligibility for the Provider Credit requires the enrollment of children receiving CCAP subsidies or foster care services in centers with ratings of two to five stars, and eligibility for the Parent Credit requires the enrollment of children under age six in centers with ratings of two to five stars. The fact that the proportion of such children enrolled in centers rated two, three and four stars increased at each of these quality rating levels between 2008 and 2011 also points strongly to the impact of these credits, because for each credit, the higher the quality rating, the larger the credit amount. The fact that the number of children under age six receiving CCAP subsidies or foster care services enrolled at these centers increased, even slightly, despite a precipitous decline in the number of all children receiving CCAP subsidies after 2010, also points strongly to the impact of the credits.

The increased enrollment of mostly low-income children (those receiving CCAP subsidies or foster care services) in higher-quality-rated centers is notable, because low-income

families often find it difficult to obtain higher-quality care. Both the Provider Credit and the Parent Credit are particularly targeted to increasing the enrollment of low-income children in higher-quality-rated care.

Louisiana's integrated package of School Readiness Tax Credits has been an important strategy for improving child care quality, but the credits could be improved – and they cannot do the job alone. Increased funding for CCAP would not only enable more children to receive this critical assistance but also, in combination with the credits, likely increase the number of low-income children receiving quality-rated care or higher-quality-rated care than they now receive.

In fact, although beyond the scope of this report, reductions in eligibility for CCAP assistance since 2011 have decreased the number of families receiving CCAP assistance and thereby threaten the continued positive effect of the credits on increasing the number of low-income children receiving higher quality care. Because of the interrelationship of the credits, reductions in the number of families receiving CCAP also threaten the ability of child care providers and child care directors and staff to increase the quality of the care they provide. In establishing the credits, Louisiana wisely recognized that their effectiveness depends on the ability of each stakeholder to contribute to the quality of care. Significantly reducing the ability of one stakeholder – low-income families – to do so has ripple effects on the other stakeholders that make it difficult for them to do their part in increasing the quality of care for all families.

In addition to increased funding for CCAP, increased direct investments in Quality Start, Pathways, and resource and referral services would improve the quality of child care for children at all income levels by helping ensure effective quality-rating standards and compliance with them, helping providers receive higher-level credentials, and helping families and businesses obtain the quality-rated care they need for their children and their employees' children.

In sum, in the first four years after enactment, the School Readiness Tax Credits had a strong and positive impact on child care quality in Louisiana. As part of a comprehensive early care and education strategy, these tax credits can continue to be an effective way of improving the quality of child care for Louisiana's families.

Introduction

IN 2007, LOUISIANA ENACTED LEGISLATION CREATING A UNIQUE PACKAGE OF TAX CREDITS to help child care centers, staff, families using child care, and the business community improve the quality of care available to Louisiana families.¹ The five separate tax credits that make up this package complement one another and are integrated with the Louisiana Quality Start Child Care Rating System (Quality Start),² the state's child care quality rating system that was also established through regulations in 2007;³ with Louisiana Pathways Child Care Career Development System (Pathways),⁴ the state's child care career development system; and with the state's Child Care Assistance Program (CCAP).⁵ All of the credits are designed to provide benefits even to claimants who do not have tax liability, by virtue of being refundable.⁶

This report analyzes the impact of the School Readiness Tax Credits in the first four years of their implementation.⁷ The report provides a brief overview of the credits; some background on Louisiana's child care and early education system; a detailed description of each credit, how it is claimed, and data on actual claims through 2011; and an analysis of the impact of the credits in improving the quality of child care in Louisiana.

The news is good. Between 2008, when the credits took effect, and 2011, utilization of the credits resulted in millions of dollars in new investments in child care quality. The evidence strongly suggests that these investments improved the quality of child care in Louisiana in this four-year period, as measured by the increased number of child care centers participating in the state quality rating system and the increased number and proportion of centers with higher-quality ratings; the increased number of child care directors and staff credentialed by the state child care career development system and the increased number and proportion of directors and staff with higher-level credentials; and the increased number and proportion of lower-income children enrolled in higher-quality-rated child care centers.

HIGH-QUALITY CHILD CARE

High-quality child care and early learning experiences are vital to children's healthy development. Children receiving high-quality care display greater language ability and math skills, have more positive views of their child care and themselves, create warmer relationships with their teachers, and exhibit more advanced social skills than children in lower-quality care.⁸ These findings hold true for all children, although high-quality care has particularly strong positive impacts on at-risk children.⁹

Yet higher-quality care is often beyond the reach of many families. Higher-quality care is often expensive because of the costs of attaining and maintaining a higher level of quality, including costs to hire and retain well-qualified staff, employ sufficient numbers of staff so that child-teacher ratios remain low, provide books, toys, and other materials for learning, and ensure well-maintained facilities.¹⁰ Accordingly, many families have difficulty affording higher-quality care, even to the extent that it is available.¹¹ This is particularly significant in Louisiana, where, in 2011, about 30 percent of the more than 536,000 children under age thirteen who potentially needed child care lived in families with incomes of \$25,000 or less.¹² In enacting the School Readiness Tax Credits, the Louisiana legislature recognized both the importance of high-quality child care in laying the foundation for future academic success and the importance of providing assistance in meeting the costs of that care.¹³

THE SCHOOL READINESS TAX CREDITS

The five School Readiness Tax Credits provide financial incentives to child care providers, child care directors and staff, families, and the business community to increase the quality of child care. The incentives are provided through the tax code and are not dependent on annual legislative appropriations. The five School Readiness Tax Credits, which are described in more detail in the following sections, are:

- **The Child Care Provider Credit (the Provider Credit)**, an income tax credit available to child care providers whose facilities have a Quality Start rating of at least two stars.¹⁴ The amount of the credit varies based on the quality rating of the facility and the average monthly number of children the facility serves who are participating in the Louisiana Child Care Assistance Program or are receiving foster care services through the Department of Children and Family Services (DCFS).¹⁵ The higher the quality rating, the higher the credit amount per child; the greater the number of eligible children, the higher the credit amount.¹⁶ The credit amount ranges from \$750 to \$1,500 per child. The credit is refundable¹⁷ and available to both for-profit and non-profit child care providers.¹⁸
- **The Credit for Child Care Directors and Staff (the Director and Staff Credit)**, an income tax credit available to child care directors and staff with Pathways Career Ladder credentials classified as Level 1 to Level 4, and employed, for at least six months out of the tax year,¹⁹ at a child care facility participating in Quality Start.²⁰ The higher the director or staff member's credential level, the higher the credit amount.²¹ The initial credit amounts for each level are set by statute and adjusted annually for inflation;²² they ranged from approximately \$1,524 to \$3,048 in 2011.²³ The credit is refundable.²⁴
- **The Child Care Expense Credit (the Parent Credit)**, an income tax credit available to families who incur child care expenses for children under age six enrolled in child care facilities with a Quality Start rating of at least two stars.²⁵ The higher the rating of the child care facility, the higher the credit amount.²⁶ The credit amounts range from 50 to 200 percent of a family's Louisiana Child Care Credit,²⁷ and the credit is most valuable, and refundable, for families earning \$25,000 or less, who can receive a maximum of \$2,100 for each eligible child. Eligible families may claim both the Child Care Credit and the Parent Credit.²⁸
- **The Business-Supported Credit**, an individual or corporate income tax or corporate franchise tax credit available to businesses for eligible child care expenses paid by the business to child care facilities with a Quality Start rating of at least two stars.²⁹ The higher the quality rating of the facility, the higher the credit amount.³⁰ The credit amounts range from 5 to 20 percent of eligible

expenses; the amount of eligible expenses is capped at different levels, depending on the type of expense,³¹ and the credit is refundable.³²

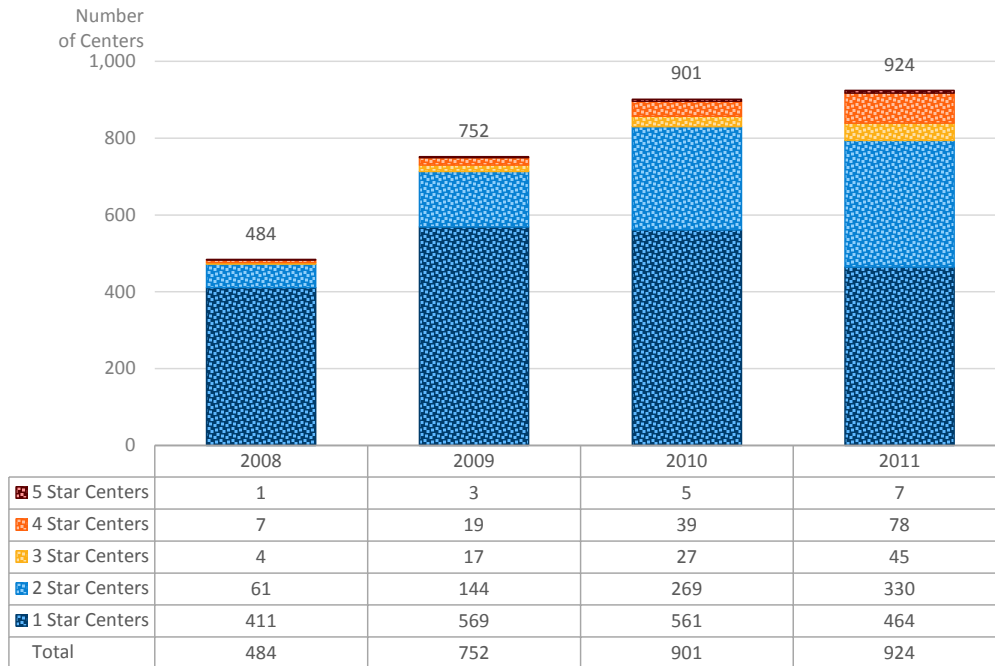
- **The Resource and Referral Agency Credit (the R&R Credit)**, a dollar-for-dollar individual or corporate income tax or corporate franchise tax credit for businesses who make donations or pay fees, up to \$5,000 per tax year, to child care resource and referral agencies.³³ It is refundable,³⁴ and eligible businesses may claim both the Business-Supported Credit and the R&R Credit.³⁵

QUALITY START CHILD CARE RATING SYSTEM

Louisiana ties four of its five School Readiness Tax Credits to its child care quality rating system, Quality Start. Quality Start is a voluntary system run by the DCFS during the period covered by this report for rating the quality of child care programs.³⁶ Quality Start by its terms is “designed to assess the level of quality of early care and education for programs serving [children] birth through age five,”³⁷ but its ratings may only be earned by “licensed child care center[s],”³⁸ interchangeably referred to as “licensed day care center[s].”³⁹ In 2011, there were 924 centers participating in Quality Start.⁴⁰

There are five star levels in Quality Start, with one star the lowest rating and five stars the highest.⁴¹ The criteria used to rate programs include child care center environment, curriculum, and director and staff credentials.⁴² To receive a one-star rating, a child care center must have “a license to operate and comply with standards” for a Class A license.⁴³ To receive a two-star rating, a child care center must meet the requirements for a one-star rating, have been in operation for six months, and meet additional requirements set forth in regulations.⁴⁴ To receive a rating of three or more stars, a child care center must meet all the requirements of a two-star rating and meet additional requirements for which “points” are awarded, with the number of points determining whether the center will receive a three-, four- or five-star rating.⁴⁵ Child care centers that apply to participate in Quality Start and meet the relevant criteria receive a one-star rating but may then apply for and receive any higher star rating for which they meet the relevant criteria.⁴⁶

FIGURE 1: QUALITY RATINGS OF CHILD CARE CENTERS PARTICIPATING IN QUALITY START THAT COULD HAVE BEEN THE BASIS FOR TAX CREDIT CLAIMS



Source: La. Dep't of Children & Family Servs., SRTC Ratings for 2008-2011 (Dec. 14, 2012) (on file with the Nat'l Women's Law Ctr.).

Figure 1 shows the quality ratings of child care centers participating in Quality Start that could have been the basis for claims of one or more of the School Readiness Tax Credits in the years covered by this report, 2008-2011.⁴⁷ As previously described, the regulations implementing Quality Start were promulgated in 2007, and the DCFS began processing applications of centers entering the Quality Start system in January 2008,⁴⁸ which was the first year in which a center could receive a Quality Start rating.

As briefly described, four of the School Readiness Tax Credits are tied to participation in Quality Start. The Parent Credit, the Provider Credit, and the Business-Supported Credit may only be claimed for expenses for centers rated two stars or more, and the credits are more valuable for higher-rated centers.⁴⁹ The Director and Staff Credit may only be claimed by individuals employed by a center participating in Quality Start, at any star level.⁵⁰

PATHWAYS

Louisiana ties one of its School Readiness Tax Credits, the Director and Staff Credit, to Pathways,⁵¹ the state's child care career development system. Pathways was established in 2003, predating the School Readiness Tax Credits.⁵² It is run through Northwestern State University of Louisiana⁵³ and funded and maintained by the DCFS.⁵⁴ Participation in Pathways is free and voluntary, and it is open to “[a]ny individual working or planning to work in the child care industry.”⁵⁵ In 2011, there were over 23,000 individuals enrolled in Pathways.⁵⁶

The mission of Pathways is to improve the quality of child care in Louisiana by “supporting early childcare professionals in furthering their careers and by providing the recognition they deserve.”⁵⁷ Pathways describes its function as “providing scholarships for training and education, tracking training received by child care professionals and recognizing [professionals’ achievements].”⁵⁸ Pathways has established two Career Ladders, one for child care administrators,

and one for classroom staff.⁵⁹ Each Career Ladder has multiple levels, and practitioners must meet specific requirements to reach each level.⁶⁰ These requirements include formal education and training, number of years of experience, and membership in professional organizations, among others.⁶¹

When child care directors and staff enroll, Pathways assigns them a particular credential level on the relevant Career Ladder.⁶² Pathways also provides participants with information about the education and training they will need to move up their Career Ladder.⁶³ Pathways' Scholarship Program allows child care practitioners to partially offset the costs of attending those trainings and classes.⁶⁴ In addition, Pathways notifies participants of ongoing professional development opportunities, important deadlines, professional organizations that participants may wish to join, and other information.⁶⁵

CHILD CARE ASSISTANCE PROGRAM

Louisiana ties one of its School Readiness Tax Credits, the Provider Credit, to participation in the Louisiana Child Care Assistance Program. CCAP partially reimburses low-income families for the cost of care provided to their children.⁶⁶ Parents make co-payments based on their income and the cost of their care,⁶⁷ and providers are permitted to charge parents for the difference between the state reimbursement rate and the provider's ordinary charges beyond the required copayment.⁶⁸ From 2008 through May 2011, families with incomes below 75 percent of state median income were eligible to receive assistance in paying for care from CCAP.⁶⁹ For June through December 2011, the income eligibility limit was reduced to 65 percent of state median income.⁷⁰ However, the 2011 CCAP reimbursement rate was substantially below the federally recommended reimbursement rate (which is the 75th percentile of market rates, *i.e.*, an amount designed to give parents access to 75 percent of the providers in their communities),⁷¹ limiting the availability of providers for families receiving this assistance.⁷²

In 2011, CCAP provided child care assistance to approximately 36,000 Louisiana families per month, on average, helping them meet the cost of care their children

received from just over 6,800 child care centers, family child day care homes, and in-home child care providers.⁷³

Child care centers participating in CCAP must have a Class A license,⁷⁴ although there is no requirement that they participate in Quality Start. However, CCAP provides child care centers that have Quality Start ratings of at least two stars and serve children receiving CCAP assistance with a quarterly tiered bonus.⁷⁵ The tiered bonus is calculated as a percentage of all CCAP payments received by the center during that quarter, ranging from 3 percent for centers with two stars to 20 percent for centers with five stars.⁷⁶

CHILD CARE CREDIT

Louisiana ties one of its School Readiness Tax Credits, the Parent Credit, to the amount of a family's state Child Care Credit. The Child Care Credit, which is intended to offset some of a family's child care costs and is based on the federal Child and Dependent Care (CADC) Credit, is worth a maximum of \$1,050.⁷⁷ It is most valuable, and refundable, for families with federal Adjusted Gross Income (AGI) of \$25,000 or less.⁷⁸ The federal CADC Credit, on which the Louisiana Child Care Credit is based, is worth up to \$2,100.⁷⁹ Although the federal credit is designed to provide more benefits to lower-income families than higher-income families, few low-income families are able to fully benefit from it because it is not refundable.⁸⁰ This, and the structure of the Louisiana Child Care Credit, in turn limits the benefit of the Louisiana Child Care Credit for families with federal AGI above \$25,000. Neither the federal CADC Credit nor the Louisiana Child Care Credit, because it is based on the federal credit, takes the quality of child care services into account, beyond a requirement that certain providers comply with applicable state and local regulations.⁸¹

CHILD CARE RESOURCE AND REFERRAL AGENCIES

Louisiana ties one of its School Readiness Tax Credits, the R&R Credit, to payments made to state-supported child care resource and referrals agencies (R&Rs). There are five R&Rs that contract with the DCFS, serving its nine regions.⁸² These R&Rs serve as a bridge between child care providers, parents, businesses, and the community at large. They help educate parents and the community about

child care, encourage businesses to invest in child care, provide referrals to businesses and parents seeking child care, and collect data about child care in the state. The R&Rs also offer training to parents and child care directors and staff, as well as provide technical assistance, coaching, and mentoring to child care directors, staff, and providers.⁸³

METHODOLOGY

The National Women's Law Center (NWLC) obtained data on claims of the School Readiness Tax Credits from the Louisiana Department of Revenue (DOR), for tax years 2008 through 2011. NWLC also obtained data from and interviewed staff of Pathways and the Louisiana DCFS. In addition, NWLC interviewed a number of advocates, directors of R&Rs, and child care center directors. These data and interviews, to the extent not publicly available, are on file with NWLC.

A caveat is in order in evaluating these data. The initial year covered by this report – 2008 – was the first year of both the School Readiness Tax Credits and Quality Start, the rating system in which participation is required to claim four of the five credits. Therefore it is difficult to determine the extent to which claims of the credits in 2008, and the increase in both claims and credit amounts in the following three years, reflect an increase in the quality of care (of an individual provider or in the state overall) relative to the quality prior to 2008. A provider, for example, may have been providing a level of care sufficient to qualify for the Provider Credit before 2008, but not have been recognized as doing so because of the lack of a comparable quality rating system prior to 2008, or because the provider did not begin claiming the credit until 2009 or later. But the significant growth in the number of claimants, and the amounts claimed and key indicia of quality between 2008 and 2011, as explained in more detail below, strongly suggest that the credits, in just the first four years, increased the quality of child care in Louisiana.

School Readiness Tax Credits

CHILD CARE PROVIDER TAX CREDIT

As previously described, the Provider Credit is a refundable income tax credit available to owners of child care centers participating in Quality Start and serving eligible children.⁸⁴

To be eligible for the Provider Credit, the child care center must have at least a two-star Quality Start rating.⁸⁵ The amount of the Provider Credit is dependent on both the center's quality rating and the average monthly number of children it serves who are either receiving CCAP assistance or receiving foster care services through the DCFS.⁸⁶

For a five-star center, a provider may receive \$1,500 for every eligible child; for a four-star center, \$1,250; for a three-star center, \$1,000; and for a two-star center, \$750.⁸⁷

For example, a four-star center provider serving fifteen children receiving assistance and five foster children is eligible for a \$25,000 Provider Credit (20 x \$1,250). The Provider Credit is thus designed to encourage providers to maintain or increase the quality of their centers to at least the two-star level and to maintain or increase their enrollment of low-income and foster children.

The credit is refundable, and there is no limit on the number of children who may be claimed for the credit.⁸⁸ The Provider Credit is available to owners of non-profit centers as well as for-profit centers.⁸⁹

Claiming the Credit

Child care center owners learn about the Provider Credit in a variety of ways. The DOR website⁹⁰ and the Quality Start website⁹¹ provide information about the Provider Credit. The DOR also performs outreach to Certified Public Accountants and Volunteer Income Tax Assistance (VITA) sites to help ensure that the tax preparer community is informed about the credit.⁹² In addition, at the end of the tax year, the DCFS sends child care providers a letter⁹³ that, among other things, provides the center's quality rating for that year and information about the

documentation needed to claim not only the Provider Credit, but also the Director and Staff Credit, the Parent Credit, and the Business-Supported Credit.⁹⁴

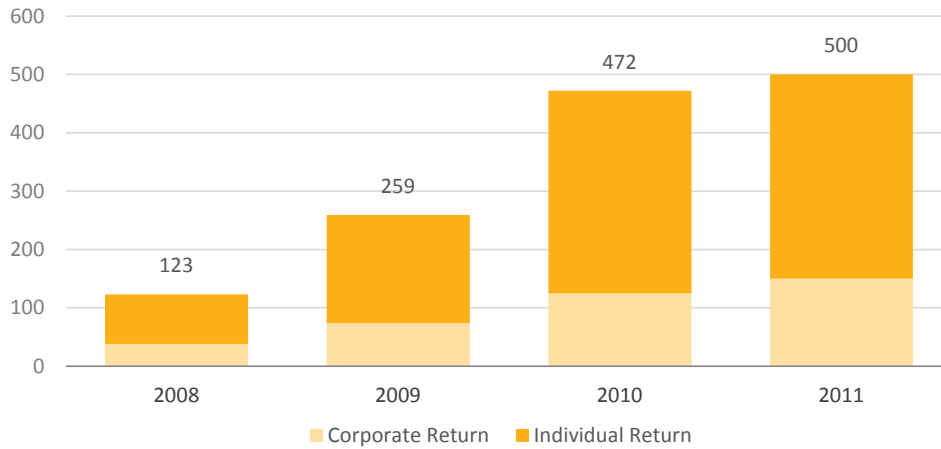
By March 1 of the year following the tax year for which a credit may be claimed, the DCFS gives providers with a Quality Start rating of at least two stars a certificate verifying the provider's star rating and the "average monthly number of children participating" in CCAP or receiving foster care services served by that provider during the tax year.⁹⁵ Once providers receive the certificate from the DCFS, they may claim the Provider Credit on one of two different tax forms, depending on the center's structure. If the center is owned by a sole proprietor or is a flow-through entity, such as a limited liability company or partnership, or S-corporation, the provider claims the credit on the Individual Income Tax Return.⁹⁶ If the center is a non-profit or for-profit corporation, the provider claims the credit on the Corporation Income and Franchise Tax Return.⁹⁷ However, neither the individual nor the corporate tax return includes a line for the Provider Credit. Instead, the provider enters the amount of the credit on a schedule with the amounts of several other specified refundable credits for which the provider may be eligible,⁹⁸ and enters the total amount of all refundable credits claimed on a single line on the tax return.⁹⁹

Claims of the Provider Credit, 2008-2011

The Number and Amount of Claims of the Provider Credit Grew Significantly Between 2008 and 2011

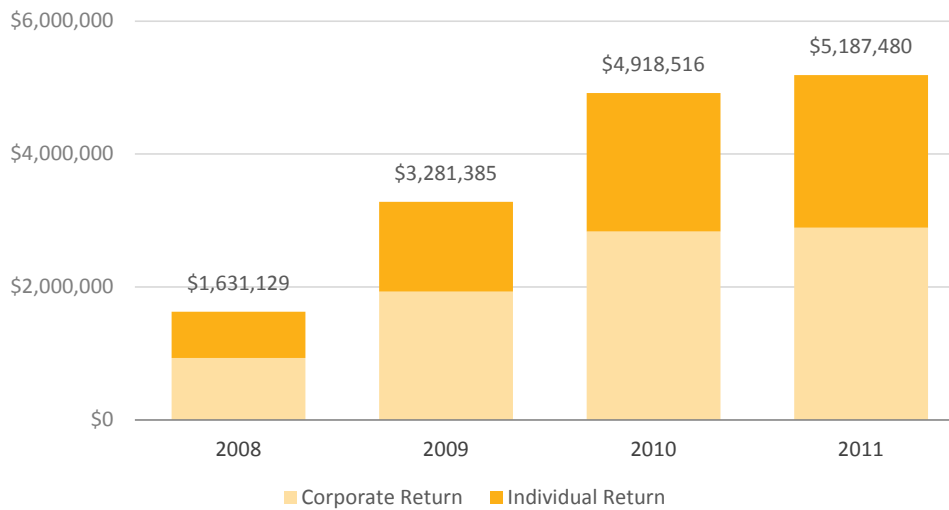
In 2008, 123 providers claimed the Provider Credit and received a total of \$1.6 million in tax benefits.¹⁰⁰ In 2011, 500 providers claimed the credit¹⁰¹ – a 307 percent increase – and received over \$5 million in tax benefits¹⁰² – a 218 percent increase.¹⁰³ Figures 2 and 3 show the growth in the number of claims of the credit, and the amount claimed, between 2008 and 2011:

FIGURE 2: NUMBER OF CLAIMS OF PROVIDER CREDIT



Source: La. Dep't of Revenue, 2008-2011 SRTC Revised 3-15-2013 (Mar. 20, 2013) (on file with the Nat'l Women's Law Ctr.).

FIGURE 3: AMOUNT OF CLAIMS OF PROVIDER CREDIT



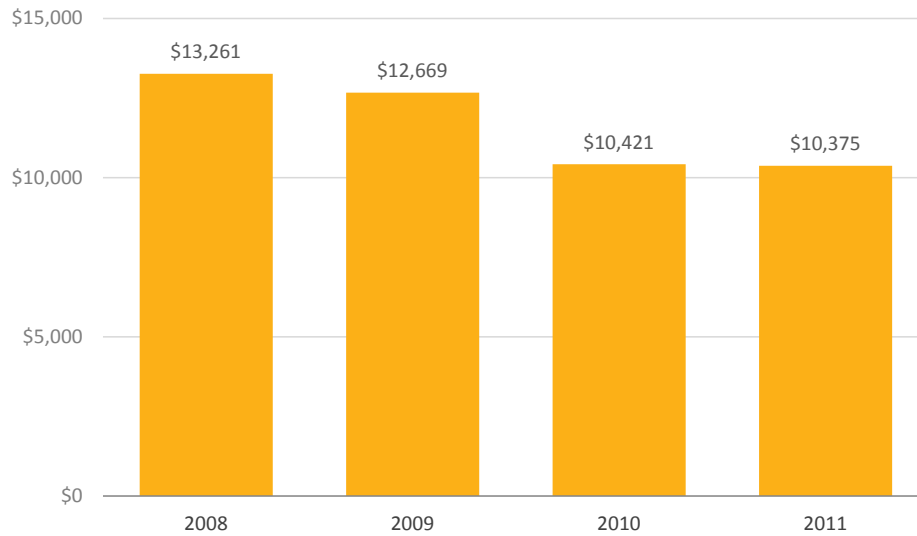
Source: La. Dep't of Revenue, 2008-2011 SRTC Revised 3-15-2013 (Mar. 20, 2013) (on file with the Nat'l Women's Law Ctr.).

The data show a leveling off in both the number and amount of claims between 2010 and 2011 after two years of strong growth. This slow-down occurred at the same time as the change in regulations that reduced the income eligibility limit for families to qualify for CCAP.¹⁰⁴ This change likely affected providers' claims of the credit, because the credit amount is determined in part by the number of children they serve who are receiving

assistance, and that number declined from an average of 42,300 children per month in fiscal year 2010¹⁰⁵ to an average of 36,000 children per month in fiscal year 2011.¹⁰⁶

More claims of the Provider Credit were filed on individual than on corporate tax returns every year covered by this report.¹⁰⁷ The proportion of claims filed on corporate returns consistently approximated 30 percent of claims

FIGURE 4: AVERAGE AMOUNT OF PROVIDER CREDIT



Source: Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, 2008-2011 SRTC Revised 3-15-2013 (Mar. 20, 2013) (on file with the Nat'l Women's Law Ctr.).

each year.¹⁰⁸ However, over half of the amount claimed each year was claimed on corporate, rather than individual, returns.¹⁰⁹

The Average Amount of the Provider Credit Was Substantial In 2008 Through 2011

The average amount of the Provider Credit ranged from \$13,261 in 2008 to \$10,375 in 2011, as Figure 4 shows.¹¹⁰ This is a substantial amount, especially since most centers that were eligible to claim the credit, because they had at least two stars, had only reached the two-star level by 2011.¹¹¹

The Uptake of the Provider Credit By Eligible Providers Was High

As previously described, the owners of child care centers who are eligible to claim the Provider Credit are those with centers that (1) have a Quality Start rating of two or more stars, and (2) serve foster children or children receiving CCAP payments.

Using the most recent data year, there were 460 child care centers in 2011 that had at least a two-star rating in Quality Start.¹¹² These data do not include information on the extent to which these centers served foster children or children receiving CCAP assistance.¹¹³ There were 500

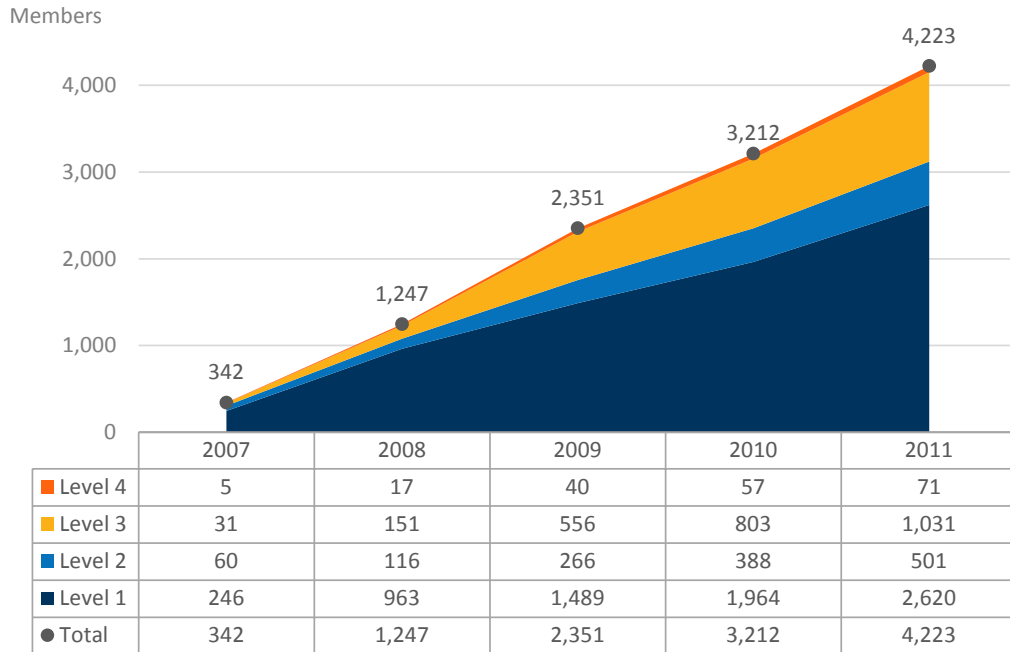
claims of the credit for tax year 2011,¹¹⁴ which is higher than the number of centers that were eligible. But some centers have multiple owners, each of whom may have claimed the credit,¹¹⁵ and some providers may have included claims of the credit for previous tax years in their 2011 tax year claims.¹¹⁶ Based on the available data, the uptake of the Provider Credit by 2011 appears very high.

CREDIT FOR CHILD CARE DIRECTORS AND STAFF

As previously described, the Director and Staff Credit is a refundable income tax credit available to directors and staff with Pathways Career Ladder credentials classified as Level 1 through Level 4 and employed in a child care center participating in Quality Start for at least six months of the tax year.¹¹⁷ Unlike the Provider Credit, the center does not have to have a rating above one star, the minimum level, in order for a director or staff person employed at that center to claim the credit, nor does the center have to serve children receiving CCAP assistance or foster care services.

Pathways, as discussed above, has established Career Ladders, one for child care administrators, and one for classroom staff; the Career Ladder credentials correlate to specific requirements for training and education, experience, and professional activity.¹¹⁸ Only directors and

FIGURE 5: CHILD CARE DIRECTORS AND STAFF WITH PATHWAYS CAREER LADDER CREDENTIALS CLASSIFIED AS LEVEL 1-4



Source: La. Pathways Career Dev. Sys., Louisiana Pathways Members on Tax Credit Eligible Levels (Dec. 27, 2012) (on file with the Nat'l Women's Law Ctr.).

FIGURE 6: CREDIT AMOUNTS BY YEAR AND CAREER LADDER LEVEL

	2008	2009	2010	2011
Level 1	\$1,500	\$1,500	\$1,500	\$1,524
Level 2	\$2,000	\$2,000	\$2,000	\$2,032
Level 3	\$2,500	\$2,500	\$2,500	\$2,540
Level 4	\$3,000	\$3,000	\$3,000	\$3,048

Source: LA. REV. STAT. ANN. § 47:6106(A), (C) (2013) (listing 2008 amounts); La. Dep't of Children & Family Servs., Quality Start, FAQs for Child Care Staff 2009 (on file with the Nat'l Women's Law Ctr.), La. Dep't of Children & Family Servs., Quality Start, FAQs for Child Care Staff 2010 (on file with the Nat'l Women's Law Ctr.), La. Dep't of Children & Family Servs., Quality Start, FAQs for Child Care Staff 2011 (on file with the Nat'l Women's Law Ctr.).

staff with mid- to high-level Career Ladder credentials, classified at Levels 1 to 4, are eligible for the Director and Staff Credit.¹¹⁹ Figure 5 shows the number of child care directors and staff with Career Ladder credentials classified as Levels 1 to 4 between 2007 and 2011.

The Director and Staff Credit is thus designed to encourage child care directors and staff to maintain or secure employment at centers with at least a one-star rating and to maintain or increase their professional credentials and, thereby, the quality of the care they provide.

The amount of the Director and Staff Credit is tied to the individual's classification level.¹²⁰ As Figure 6 shows, the credit amounts are adjusted annually for inflation.¹²¹

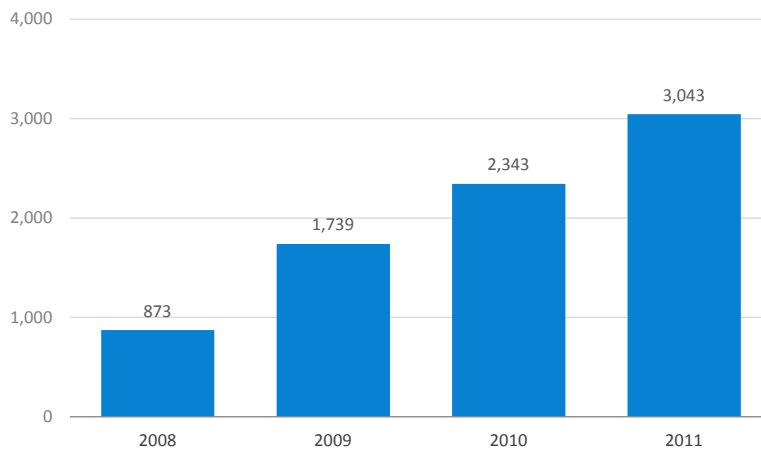
Claiming the Credit

Child care professionals learn about the Director and Staff Credit in a variety of ways. The DOR website¹²² and the Quality Start website¹²³ provide information about the Director and Staff Credit. In addition, Pathways staff counsel individual directors and staff about the existence and availability of the credit when they enroll.¹²⁴ Pathways also sends emails and a monthly newsletter to its members, which often mention the credit.¹²⁵

By January 31 of each year, the DCFS provides directors and staff members a certificate verifying that the director or staff member has attained a Career Ladder credential

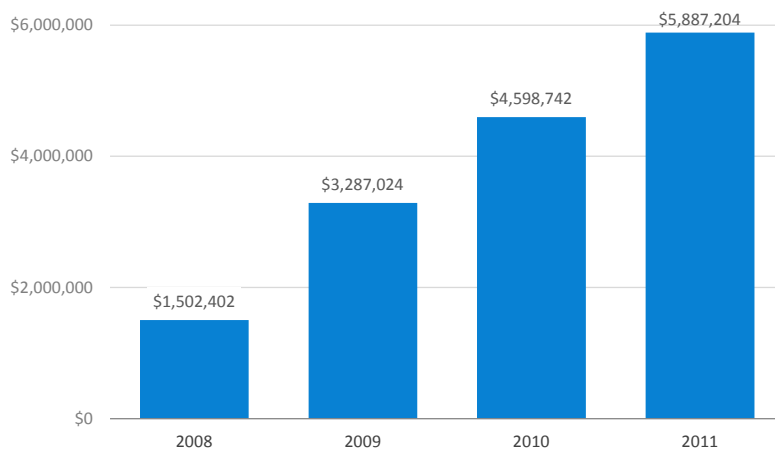
eligible for the credit.¹²⁶ An individual director or staff member who receives this certificate, and secures verification of that individual's employment from a Quality Start-rated center,¹²⁷ may claim the Director and Staff Credit on the Louisiana individual income tax return. As with the Provider Credit, the tax return does not include a line for the Director and Staff Credit. Instead, an individual enters the amount of the credit on a schedule with the amounts of several other specified refundable credits for which the individual may be eligible,¹²⁸ and enters the total amount of all refundable credits claimed on a single line on the tax return.¹²⁹

FIGURE 7: NUMBER OF CLAIMS OF DIRECTOR AND STAFF CREDIT

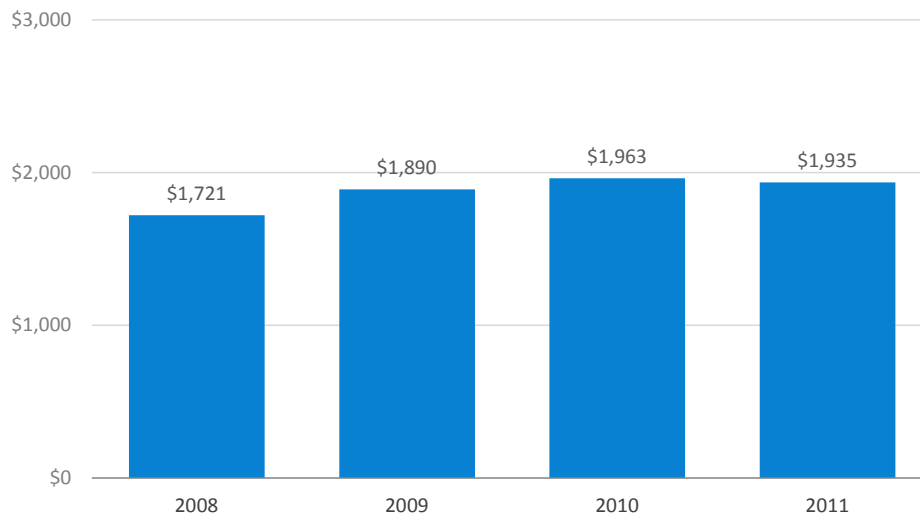


Source: Louisiana Dep't of Revenue, 2008-2011 SRTC Revised 3-15-2013 (March 20, 2013) (on file with the Nat'l Women's Law Ctr.).

FIGURE 8: AMOUNT OF CLAIMS OF DIRECTOR AND STAFF CREDIT



Source: La. Dep't of Revenue, 2008-2011 SRTC Revised 3-15-2013 (Mar. 20, 2013) (on file with the Nat'l Women's Law Ctr.).

FIGURE 9: AVERAGE AMOUNT OF DIRECTOR AND STAFF CREDIT

Source: Nat'l Women's Law Ctr. calculations based on Louisiana Dep't of Revenue, 2008-2011 SRTC Revised 3-15-2013 (Mar. 20, 2013) (on file with the Nat'l Women's Law Ctr.).

Claims of the Director and Staff Credit, 2008-2011

The Number and Amount of Claims of the Director and Staff Credit Grew Significantly Between 2008 and 2011

In 2008, 873 individuals claimed the credit and received a total of \$1.5 million in tax benefits.¹³⁰ In 2011, over 3,000 individuals claimed the credit¹³¹ – an increase of almost 250 percent¹³² – and received nearly \$6 million in tax benefits¹³³ – an increase of almost 300 percent.¹³⁴ The growth in both the number of claims and the amount claimed was steady, as Figures 7 and 8 show.

The Average Amount of the Director and Staff Credit Was Substantial Between 2008 and 2011

For each year between 2008 and 2011, the average amount received from the Director and Staff Credit exceeded \$1,700, and in 2010 and 2011, exceeded \$1,900, as Figure 9 shows.¹³⁵ This is a substantial amount. For example, the 2011 average tax benefit from the credit was equivalent to over 10 percent of the annual mean wage of a child care worker in Louisiana (\$18,640 in 2011)¹³⁶ – or more than a month's wages.¹³⁷

The Uptake of the Director and Staff Credit Was High

As previously described, the directors and staff who are eligible to claim the credit are those with Pathways Career Ladder credentials classified as Level 1 to 4 who worked at

a child care center participating in Quality Start for at least six months during the tax year.

Using the most recent data year, there were 4,223 practitioners with Pathways Career Ladder credentials eligible for the Director and Staff Credit in 2011.¹³⁸ Pathways does not track whether particular members have worked at a child care center participating in Quality Start for six months or more, and there are no other data on the number of directors and staff who are potentially eligible to claim the credit.¹³⁹ But in 2011, just over 3,000 directors and staff members claimed the Director and Staff Credit,¹⁴⁰ nearly three out of four of the child care practitioners with eligible Career Ladder credentials.¹⁴¹ Because the number of fully eligible claimants (those who also have worked for at least six months in a Quality Start child care center) is almost certainly smaller than the number of directors and staff with eligible Career Ladder credentials, the share of fully eligible claimants who claimed the credit is likely even higher than three-quarters.

CHILD CARE EXPENSE (PARENT) CREDIT

As previously described, the Parent Credit is a partially refundable income tax credit available to families who incur employment-related child care expenses for children under age six enrolled at child care facilities with Quality Start

ratings of at least two stars.¹⁴² The Parent Credit is thus designed to maintain or increase families' – especially low-income families' – access to higher-quality child care by partially reimbursing the higher expenses associated with that care.

The Parent Credit is based on the Louisiana Child Care Credit,¹⁴³ which is itself based on the federal Child and Dependent Care (CADC) Credit, as Figure 10 shows.¹⁴⁴ Families eligible for both the Parent Credit and the Louisiana Child Care Credit may claim both credits.¹⁴⁵

The federal CADC Credit amount is calculated as a percentage of employment-related child and dependent care expenses. Expenses may not exceed \$3,000 for one qualifying child or dependent, and \$6,000 for two or more qualifying children or dependents.¹⁴⁶ The percentage of expenses that families may claim declines as income rises.¹⁴⁷ For example, for families with federal AGI of \$15,000 or less and expenses for two or more children or dependents, the credit amount is 35 percent of those expenses, for a maximum credit amount of \$2,100. For families with AGI above \$43,000 and expenses for two or more children or dependents, the credit amount is 20 percent of those expenses, for a maximum credit amount of \$1,200. The federal CADC Credit is nonrefundable, so its value cannot exceed the family's federal income tax liability. As a result, low-income families, who in theory are eligible for the largest federal CADC Credit, may receive little or no benefit.¹⁴⁸

The Louisiana Child Care Credit amount is calculated as a percentage of the federal CADC Credit amount. For families with federal AGI of \$25,000 or less, the Child Care Credit amount is 50 percent of the family's federal CADC Credit amount, before the federal credit is reduced by the amount of the family's federal income tax liability and without regard to whether the family claimed the federal

credit.¹⁴⁹ For these families, moreover, the Child Care Credit is refundable and worth a maximum of \$1,050 for families with expenses for two or more children.¹⁵⁰ For families with federal AGI between \$25,001 and \$35,000, the Child Care Credit amount is 30 percent of the federal CADC Credit amount; for families with federal AGI between \$35,001 and \$60,000, the Child Care Credit amount is 10 percent of the federal CADC credit amount.¹⁵¹ For families with federal AGI over \$60,000, the Child Care Credit amount is no more than \$25.¹⁵² For families with federal AGI above \$25,000, the credit is calculated based on the federal CADC Credit amount after it is reduced by the individual's federal income tax liability, and is not refundable.¹⁵³ However, if a family has insufficient tax liability to use the entire Child Care Credit, the excess Child Care Credit amount may be carried forward and applied against tax liability in subsequent tax years.¹⁵⁴

The Parent Credit amount is calculated as a percentage of the Child Care Credit amount, based on the star rating of the child care facility and the number of eligible children the family has enrolled in that facility.¹⁵⁵ The percentage increases as the star rating of the child care facility increases,¹⁵⁶ and ranges from 50 percent for care in a two-star facility to 200 percent for care in a five-star facility.¹⁵⁷ The Parent Credit, like the Child Care Credit, is refundable for families with federal AGI of \$25,000 or less¹⁵⁸ and, for those families, is based on a Child Care Credit amount that is calculated on the amount of the federal CADC Credit unreduced by the family's federal tax liability.¹⁵⁹ The Parent Credit, like the Child Care Credit, is not refundable for families with federal AGI of more than \$25,000,¹⁶⁰ and, for these families, is based on a Child Care Credit amount that is calculated on the amount of the federal CADC Credit reduced by the family's federal tax liability.¹⁶¹

FIGURE 10: FEDERAL CADC AND LOUISIANA CHILD CARE CREDIT

	Basic Provision	Eligible Expenses	Refundable	Maximum: One Child/Dependent	Maximum: Two or More Children/Dependents
Federal CADC Credit	A credit of a percentage of eligible child and dependent care expenses that decreases on a sliding scale as the family's income rises, from 35% for families with federal AGI of \$15,000 or less to 20% for families with federal AGI above \$43,000.	Employment-related expenses for the care of a dependent child under age thirteen and for the care of a spouse and/or dependent of any age who is incapable of self-care, up to \$3,000 for one child or dependent and \$6,000 for two or more children and/or dependents. ¹⁶²	No.	\$1,050	\$2,100
Louisiana Child Care Credit	A credit of a specified percentage of the federal CADC Credit for "child care expenses" as follows: <ul style="list-style-type: none"> • 50% if federal AGI is \$25,000 or less • 30% if federal AGI is \$25,001-\$35,000 • 10% if federal AGI is \$35,001-\$60,000, but no more than \$25 if federal AGI exceeds \$60,000. 	Expenses eligible for federal CADC Credit. ¹⁶³	Yes, if federal AGI is \$25,000 or less.	\$525	\$1,050
Parent Credit	A credit of a specified percentage of the Louisiana Child Care Credit, based on the quality rating of the child care facility and the number of eligible children enrolled in that facility, as follows: <ul style="list-style-type: none"> • 200% for centers with a five-star rating; • 150% for centers with a four-star rating; • 100% for centers with a three-star rating; • 50% for centers with a two-star rating. 	Expenses eligible for federal CADC Credit and Louisiana Child Care Credit, except that the care must be provided for a dependent child under age 6. ¹⁶⁴	Yes, if federal AGI is \$25,000 or less.	\$1,050	\$2,100 for two children. ¹⁶⁵

Source: I.R.C. § 21 (2012); LA. REV. STAT. ANN. §§ 47:297.4, :6104 (2013).

The statute provides that parents with multiple eligible children “shall calculate the credit of each child separately,”¹⁶⁶ and the instructions provide a worksheet that walks families through the calculation of the Parent Credit, including for families with more than one eligible child.¹⁶⁷ First, the worksheet directs the family to enter the amount of its Louisiana Child Care Credit.¹⁶⁸ Next, the worksheet directs the family to enter the number of “qualified dependents under age 6” who attended child care facilities with five-, four-, three-, or two-star ratings and multiply the number of children by the percentage (converted to a multiplier)¹⁶⁹ associated with the particular star rating for each child’s facility. The last step is to multiply the resulting product (which in the case of more than one child at more than one facility is the sum of all such products) by the Child Care Credit amount.¹⁷⁰

There is no limit on the number of children under age six whose expenses may be claimed, either for care at a particular star level, or for the Parent Credit more generally.¹⁷¹

Example 1 below illustrates the calculation of the refundable Parent Credit amount for a family with one eligible child, and Example 2 illustrates the calculation for a family with two eligible children, in tax year 2011. Example 3 illustrates the calculation of the nonrefundable Parent Credit amount for a family with the same number of eligible children in the same child care facilities and with the same child care expenses as the family in Example 2, but with higher federal AGI, also in tax year 2011. These examples also illustrate the calculation of the Child Care Credit amount and the federal CADC Credit amount for these families.

EXAMPLE 1: ONE CHILD, REFUNDABLE CREDIT AMOUNT

A married couple has one three-year-old child enrolled in a child care center that participates in Quality Start, rated three stars. The family has federal AGI of \$24,000 and \$3,000 in child care expenses.

The family’s **federal CADC Credit** amount is \$900 (30 percent of \$3,000). But because the federal credit is not refundable and the family only has \$130 in federal tax liability, the family receives a **federal CADC Credit** of only \$130.

Because the family’s federal AGI is below \$25,000, however, its **Louisiana Child Care Credit** amount is calculated based on its **federal CADC Credit** amount before it is reduced by federal tax liability, or the full \$900. For this family, the **Louisiana Child Care Credit** is 50 percent of this amount, \$450 ($.50 \times \$900 = \450), and is refundable.

The family’s **Parent Credit** amount is then calculated by first multiplying the number of children enrolled in the three-star center (1) by the multiplier for a three-star center (1), for a product of 1, and, second, by multiplying that product (1) by the amount of the family’s Louisiana Child Care Credit (\$450). The family’s **Parent Credit** is \$450 ($1 \times 1 = 1 \times \$450 = \450), and is refundable.

The family receives \$130 in nonrefundable federal tax benefits from the **federal CADC Credit** and a total of \$900 in refundable state tax benefits (\$450 from the **Child Care Credit** and \$450 from the **Parent Credit**).

EXAMPLE 2: TWO CHILDREN, REFUNDABLE CREDIT AMOUNT

A married couple has two children who are eighteen months and three years old. The children are enrolled in two different child care centers that participate in Quality Start, rated two and three stars, respectively. The family has federal AGI of \$24,000 and \$5,000 in child care expenses (\$3,000 for the eighteen-month old, and \$2,000 for the three-year old).

The family's **federal CADC Credit** amount is \$1,500 (30 percent of \$5,000). But because the federal credit is not refundable and the family has no federal tax liability, the family receives no **federal CADC Credit**.

Because the family's federal AGI is below \$25,000, however, its **Louisiana Child Care Credit** amount is calculated based on its **federal CADC Credit** amount before it is reduced by federal tax liability, or the full \$1,500. For this family, the **Louisiana Child Care Credit** is 50 percent of this amount, \$750 ($.50 \times \$1,500 = \750), and is refundable.

The family's **Parent Credit** amount is then calculated by first multiplying the number of children the family has enrolled at a two-star center (1) by the multiplier for a two-star center (.5), for a product of .5, and, second, by multiplying the number of children the family has enrolled at a three-star center (1) by the multiplier for a three-star center (1), for a product of 1. These two amounts are then added together ($1 + .5 = 1.5$) and multiplied by the family's **Child Care Credit** amount (\$750). The family's **Parent Credit** is \$1,125 ($1.5 \times \$750 = \$1,125$), and is refundable.

The family receives no federal tax benefits from the **federal CADC Credit** but receives \$1,875 in refundable state tax benefits (\$750 from the **Child Care Credit** and \$1,125 from the **Parent Credit**).

EXAMPLE 3: TWO CHILDREN, NONREFUNDABLE CREDIT AMOUNT:

A married couple has two children who are eighteen months and three years old. The children are enrolled in two different child care centers that participate in Quality Start, rated two and three stars, respectively. The family has federal AGI of \$26,000 and \$5,000 in child care expenses (\$3,000 for the eighteen-month old, and \$2,000 for the three-year old).

The family's **federal CADC Credit** amount is \$1,450 (29 percent of \$5,000). But because the federal credit is not refundable and the family has no federal tax liability, the family receives no **federal CADC Credit**.

Because the family's federal AGI exceeds \$25,000, its **Louisiana Child Care Credit** amount is calculated based on the **federal CADC Credit** amount after it has been reduced by federal tax liability. As a result, the family receives no **Louisiana Child Care Credit**, and, because it is not eligible for a **Louisiana Child Care Credit**, it also receives no **Parent Credit**.

Thus, a family with the same level of expenses as the family in Example 2, for children enrolled in facilities with the same star levels as the children in Example 2 but \$2,000 more in federal AGI, receives no benefit from the **Parent Credit**, the **Child Care Credit**, or the **federal CADC Credit**.

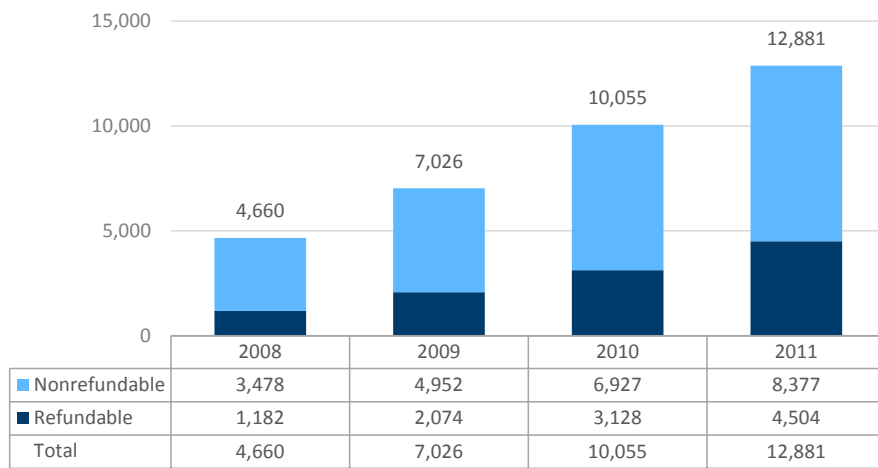
Claiming the Credit

Families learn about the Parent Credit in a number of ways. The DOR website¹⁷² and the Quality Start website¹⁷³ provide information about the Parent Credit.¹⁷⁴ Some child care providers and child care R&Rs inform prospective families about the Parent Credit. Moreover, some volunteer tax preparation coalitions and paid tax preparers inform families about the Parent Credit.¹⁷⁵

The DOR gives child care providers with a Quality Start rating of at least two stars a form¹⁷⁶ verifying the provider's star rating, which consists of two parts.¹⁷⁷ The provider completes one part of the form¹⁷⁸ and then gives the form to each family who had a child under age six at the facility during the calendar year, by January 31 of the following year.¹⁷⁹

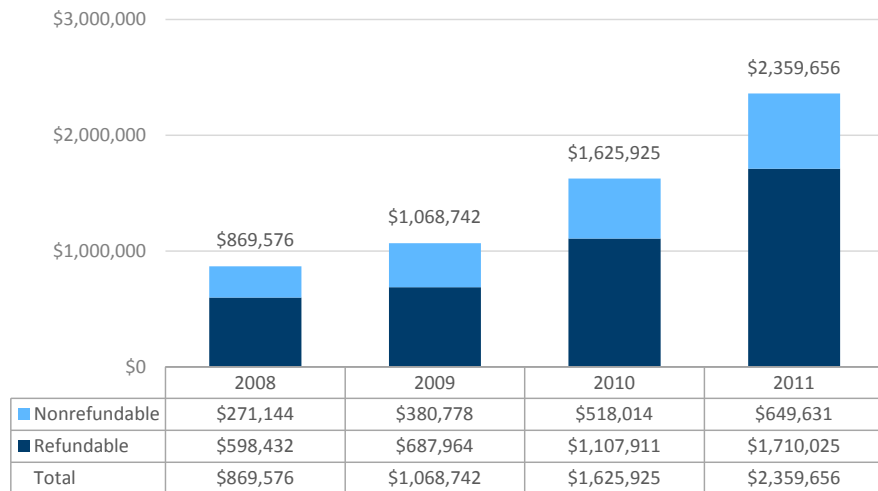
Once the family receives the form from the provider, and completes the second part of the form, the family may claim

FIGURE 11: NUMBER OF CLAIMS OF PARENT CREDIT



Source: La. Dep't of Revenue, 2008-2011 SRTC Revised 3-15-2013 (Mar. 20, 2013) (on file with the Nat'l Women's Law Ctr.).

FIGURE 12: AMOUNT OF CLAIMS OF PARENT CREDIT



Source: La. Dep't of Revenue, 2008-2011 SRTC Revised 3-15-2013 (Mar. 20, 2013) (on file with the Nat'l Women's Law Ctr.).

the Parent Credit on the Louisiana individual income tax return. The family uses a worksheet provided in the tax return package to calculate its credit amount and enters the amount on either the line on the tax return for the refundable Parent Credit or the line for the nonrefundable Parent Credit.¹⁸⁰

Claims of the Parent Credit, 2008-2011

The Number and Amount of Claims of the Parent Credit Grew Significantly Between 2008 and 2011

In 2008, almost 4,700 families claimed the Parent Credit¹⁸¹ and received a total of approximately \$870,000 in tax benefits.¹⁸² In 2011, about 12,900 families claimed the credit¹⁸³ – an increase of 176 percent¹⁸⁴ – and received over \$2.3 million in tax benefits¹⁸⁵ – an increase of 171 percent.¹⁸⁶ The growth in claims of the credit and the amount claimed was steady, as Figures 11 and 12 show.

The DOR separately tracks the claims, and amount claimed, for the refundable and nonrefundable portions of the Parent Credit. As Figure 11 shows, the number of claims of the refundable credit grew from approximately 1,200 in 2008 to approximately 4,500 in 2011¹⁸⁷ – a 281 percent increase.¹⁸⁸ The number of claims of the nonrefundable credit grew from approximately 3,500 in 2008 to approximately 8,400 in 2011¹⁸⁹ – a 141 percent increase.¹⁹⁰ The percentage of total claims that were claims for the refundable credit grew from 25 percent in 2008 to 35 percent in 2011.¹⁹¹

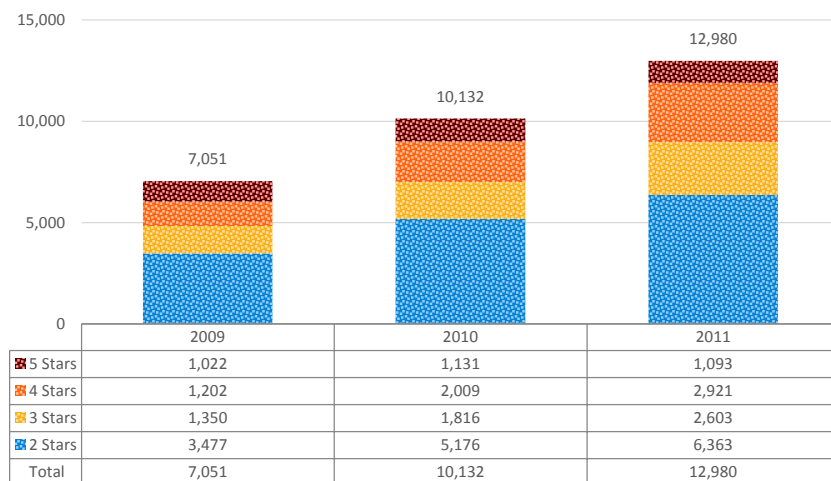
As Figure 12 shows, the amount claimed for the refundable credit increased from approximately \$600,000 in 2008 to over \$1.7 million in 2011¹⁹² – a 186 percent increase.¹⁹³ The amount claimed for the nonrefundable credit increased from approximately \$270,000 in 2008 to approximately \$650,000 in 2011¹⁹⁴ – a 140 percent increase.¹⁹⁵ Consistent with the structure of the Parent Credit, which reimburses a higher percentage of expenses for families eligible for the refundable portion than for families eligible for the nonrefundable portion, the amount claimed for the refundable credit was higher than the amount claimed for the nonrefundable credit every year from 2008 to 2011 – roughly double the amount each year.¹⁹⁶

About Half of the Families Who Claimed the Parent Credit Between 2009 and 2011 Claimed It for Child Care Rated Higher Than Two Stars

The DOR also tracks claims of the Parent Credit by the star level of the child care center at which the expenses claimed for the credit were incurred. Overall, as Figure 13 shows, the greatest number of claims for the Parent Credit was for expenses at two-star centers, and the fewest number of claims was for expenses at five-star centers, every year from 2009 to 2011.¹⁹⁷ But in general, about half of families claimed the Parent Credit for expenses for three-, four-, and five-star centers between 2009 and 2011.¹⁹⁸

When the data are broken down by the refundable and the nonrefundable portions, they show that, from 2009 to 2011,

FIGURE 13: NUMBER OF CLAIMS OF PARENT CREDIT, BY STAR LEVEL

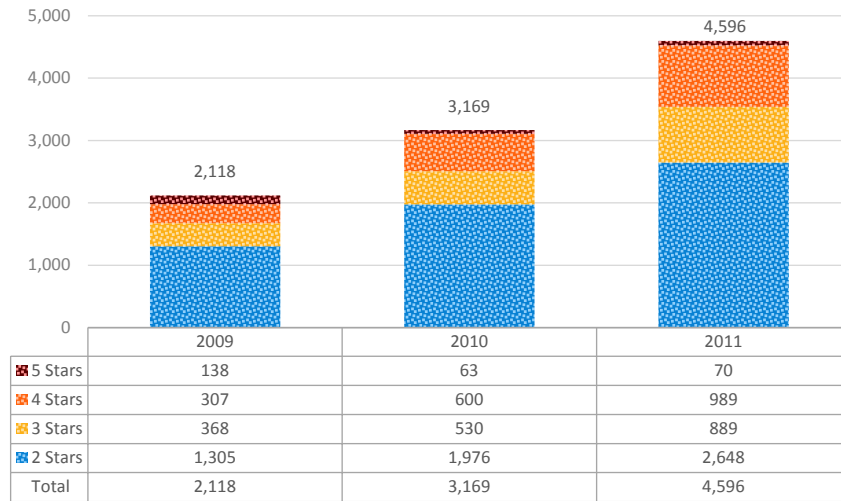


Source: Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, By Star Rating (Mar. 21, 2013) (on file with the Nat'l Women's Law Ctr.).

moderate- and higher-income (over \$25,000) families were more likely to claim the Parent Credit based on expenses for higher-rated child care than lower-income (under \$25,000) families. For example, as Figures 14 and 15 show, 42 percent of families claiming the refundable credit claimed it for expenses at three-, four-, or five-star centers, and 56 percent of families claiming the

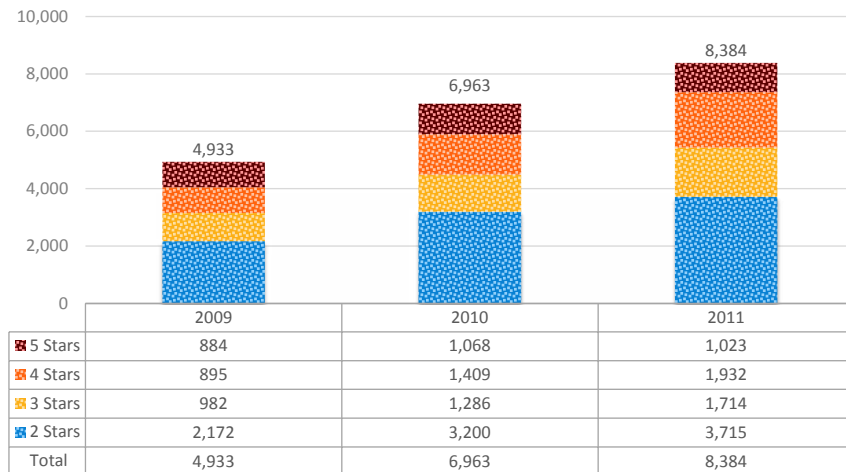
nonrefundable credit did so, in 2011.¹⁹⁹ For the highest-quality care, moderate- and higher-income families were dramatically more likely than lower-income families to claim the credit: in 2011, only 1.5 percent of families claiming the refundable credit did so for expenses at five-star centers, compared to over 12 percent of families claiming the nonrefundable credit.²⁰⁰

FIGURE 14: NUMBER OF CLAIMS OF REFUNDABLE PARENT CREDIT, BY STAR LEVEL



Source: La. Dep't of Revenue, By Star Rating (Mar. 21, 2013) (on file with the Nat'l Women's Law Ctr.).

FIGURE 15: NUMBER OF CLAIMS OF NONREFUNDABLE PARENT CREDIT, BY STAR LEVEL



Source: La. Dep't of Revenue, By Star Rating (Mar. 21, 2013) (on file with the Nat'l Women's Law Ctr.).

The Average Amount of the Refundable Parent Credit and Nonrefundable Parent Credit Was Modest Between 2009 and 2011

Because the Parent Credit reimburses a higher percentage of expenses for families eligible for the refundable portion than for families eligible for the nonrefundable portion, average amounts for the refundable and nonrefundable portions should be considered separately.

The average amount received by families who claimed the refundable credit was significantly higher than the average amount received by families who claimed the nonrefundable credit, but still modest. The average amount received by families who claimed the refundable credit increased slightly between 2009 and 2011, from \$332 in 2009, to \$354 in 2010, to \$380 in 2011, as Figure 16 shows.²⁰¹ The average amount received by families who claimed the nonrefundable credit was low and consistent over time – \$77 in 2009, \$75 in 2010, and \$78 in 2011²⁰² – as Figure 16 shows.

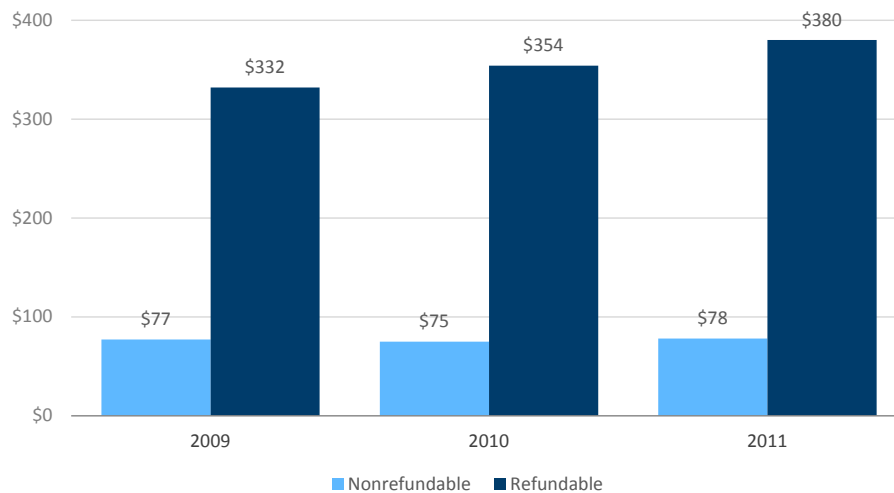
Consistent with the structure of the credit, the average amount received by families who claimed the refundable and nonrefundable credit increased by star level, as Figure 17 shows. For example, for families claiming the

refundable credit, the average amount received ranged from a low of \$237 at the two-star level to a high of \$704 at the five-star level in 2011.²⁰³ For families claiming the nonrefundable credit, the average amount received ranged from a low of \$42 at the two-star level to a high of \$140 at the five-star level in 2011.²⁰⁴

Uptake of the Parent Credit by Eligible Families Is Difficult to Assess

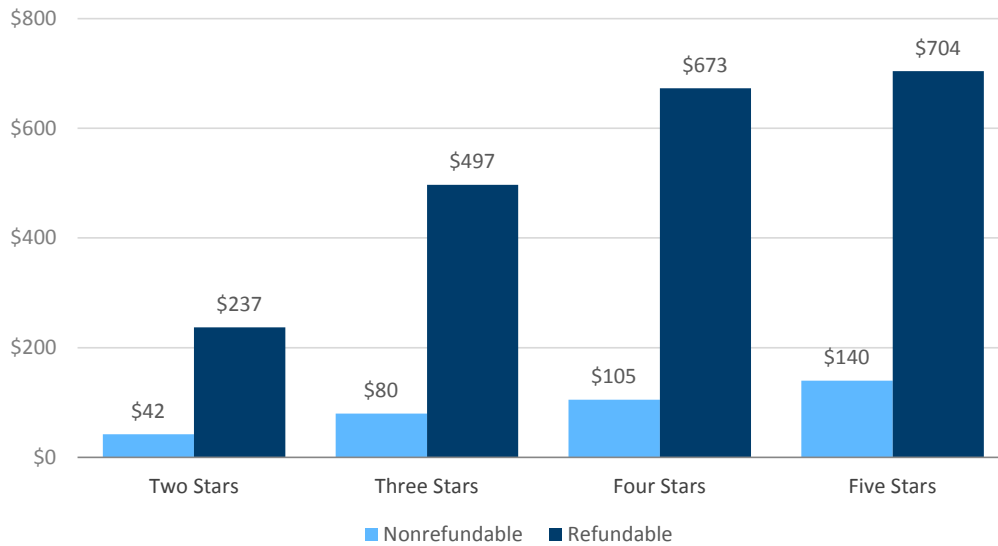
As previously described, the families who are eligible to claim the Parent Credit are those who (1) have a child under age six and (2) incur employment-related child care expenses for that child at a child care facility with a Quality Start rating of at least two stars. Although it is possible to estimate the number of Louisiana families with at least one child under age six in which both parents are (or one parent is, in a single-parent family) in the labor force, it is not possible to determine from available data the extent to which these families paid for child care for these children and, if so, at facilities with Quality Start ratings of at least two stars.²⁰⁵ But it is instructive to compare the claimants of the Parent Credit against the general population of families with one or both parents in the labor force (“working families”) and a child of eligible age.

FIGURE 16: AVERAGE AMOUNT OF REFUNDABLE AND NONREFUNDABLE PARENT CREDIT



Source: Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, 2008-2011 SRTC Revised 3-15-2013 (Mar. 20, 2013) (on file with the Nat'l Women's Law Ctr.).

FIGURE 17: 2011 AVERAGE AMOUNT OF REFUNDABLE AND NONREFUNDABLE PARENT CREDIT, BY STAR LEVEL



Source: Nat'l Women's Law Ctr. calculations based on Louisiana Dep't of Revenue, By Star Rating (Mar. 21, 2013) (on file with the Nat'l Women's Law Ctr.).

Using the most recent data year, 2011, there were approximately 148,000 working families with at least one child under age six in Louisiana.²⁰⁶ Of these families, roughly 13,000,²⁰⁷ or about 9 percent, claimed the Parent Credit.²⁰⁸ More specifically, of the 49,000 working families with at least one child under age six who had incomes of \$25,000 or less,²⁰⁹ roughly 4,500,²¹⁰ or about 9 percent,²¹¹ claimed the refundable Parent Credit. Of the 99,000 working families with at least one child under age six who had incomes of more than \$25,000,²¹² roughly 8,400,²¹³ or about 8 percent,²¹⁴ claimed the nonrefundable Parent Credit. Stated another way, working families with incomes of \$25,000 or less and children under age six represented 33 percent of all working families with children under age six,²¹⁵ and accounted for 35 percent of all claims of the Parent Credit.²¹⁶ Working families with incomes over \$25,000 and children under age six represented 67 percent of all working families with children under age six,²¹⁷ and accounted for 65 percent of all claims of the Parent Credit.²¹⁸ These data show that potentially eligible working families at all income levels were equally likely to claim the Parent Credit. However, without data on the

extent to which these families incurred child care expenses or the extent to which they enrolled their children in facilities with Quality Start ratings of at least two stars, their utilization of the credit is difficult to further assess.

BUSINESS-SUPPORTED CREDIT

As previously described, the Business-Supported Credit is a refundable income or franchise tax credit for businesses that incur “eligible business child care expenses” for child care facilities with Quality Start ratings of at least two stars.²¹⁹ The credit is designed to maintain or increase the quality of child care, by providing star-rated child care facilities with resources to undertake physical or operational improvements or to provide child care services or reserved slots at those facilities, and to encourage employers to provide child care benefits to employees.²²⁰

Eligible business child care expenses include expenses incurred for the construction, renovation, expansion, or major repair of an eligible child care facility (including equipment purchases and operation and maintenance costs), up to \$50,000 annually; payments made to an

eligible child care facility for child care services to support employees, up to \$5,000 per child annually; and payments made to an eligible facility for the purchase of child care slots actually provided or reserved for children of employees, up to \$50,000 annually.²²¹ Businesses may claim a refundable credit for one or more of these expenses, up to the maximum amounts of each.²²²

The amount of the Business-Supported Credit is calculated as a percentage of eligible expenses. The percentage varies according to the Quality Start rating of the child care facility for which the expenses are incurred.²²³ The credit amount is 20 percent of expenses for a five-star center, 15 percent of expenses for a four-star center, 10 percent of expenses for a three-star center, and 5 percent of expenses for a two-star center.²²⁴

Claiming the Credit

Businesses learn about the Business-Supported Credit in several ways. The DOR website²²⁵ and the Quality Start website provide information about the Business-Supported Credit.²²⁶ There does not seem to be a DOR or DCFS means of reaching out to businesses to inform them about the credit. However, the DCFS sends child care providers a letter at the end of the calendar year containing information about the Business-Supported Credit²²⁷ and a certificate in March of the following year verifying their Quality Start ratings,²²⁸ both of which providers might use to conduct outreach to businesses about the credit. At least one R&R also provides information about the Business-Supported Credit on its website.²²⁹

A business that wishes to claim the credit must provide the DOR with the name and Louisiana tax identification number of the child care center to or for whom the eligible expenses were paid or made, the amount and nature of the expenses at each center, and the center's Quality Start rating.²³⁰ As with the Provider Credit, the structure of the business determines the tax return on which it claims the Business-Supported Credit. If the business is owned by a sole proprietor or is a flow-through entity such as a limited liability company, partnership, or S-corporation, it claims the credit on the Individual Income Tax Return.²³¹ If the business is a corporation or a non-profit, it claims the credit on the Corporation Income and Franchise Tax Return.²³²

Neither the individual nor the corporate tax return includes a line for the Business-Supported Credit. Instead, as with the Provider and Director and Staff Credits, the business enters the amount of the Business-Supported Credit on a schedule with the amounts of several other specified refundable credits for which the business may be eligible,²³³ and enters the total amount of all refundable credits claimed on a single line on the tax return.²³⁴

Claims of the Business-Supported Credit, 2008-2011

The Number and Amount of Claims of the Business-Supported Credit Grew Significantly Between 2008 and 2011

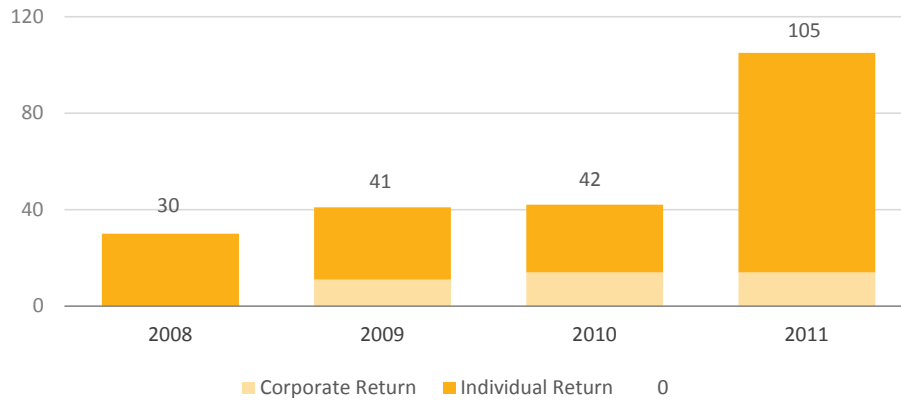
In 2008, 30 businesses claimed the credit, and received a total of \$30,396 in tax benefits.²³⁵ In 2011, 105 businesses claimed the credit²³⁶ – over a threefold increase²³⁷ – and received over \$381,159²³⁸ – over a twelvefold increase.²³⁹ As Figures 18 and 19 show, the growth of claimants and total amount claimed has not been steady.²⁴⁰ Although there was a slight increase in claims between 2008 and 2009 (from 30 to 41),²⁴¹ the number of claimants remained stable (at 42) in 2010 until more than doubling in 2011 (to 105).²⁴² Although the amount claimed in 2009 (\$303,007) was nearly ten times the amount claimed in 2008 (\$30,396),²⁴³ the amount claimed in 2010 dropped to \$232,939 before rising to \$381,159 in 2011.²⁴⁴

There were no claims for the Business-Supported Credit filed on corporate tax returns in 2008, and in each subsequent year there were more claims filed on individual than on corporate tax returns, as Figure 20 shows.²⁴⁵ However, the amount of money claimed on corporate returns was much greater than the amount claimed on individual returns. In 2009, corporate filers received 81 percent of the total amount claimed; in 2010 they received 85 percent; and in 2011, they received 70 percent.²⁴⁶

The Average Amount of the Business-Supported Credit Received By Individual Businesses Varied Substantially Between 2008 and 2011

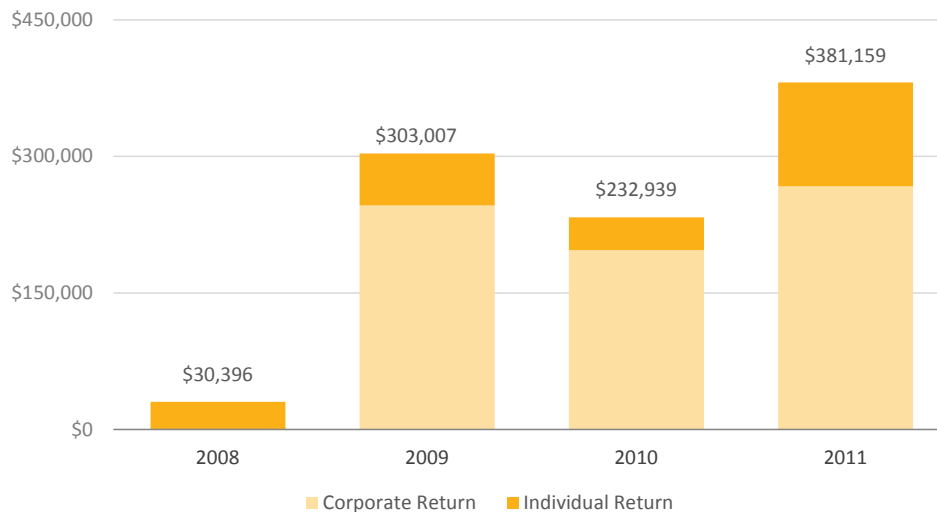
The average amount of the Business-Supported Credit varied between 2008 and 2011, increasing more than 600 percent between 2008 and 2009, decreasing by 25 percent between 2009 and 2010, and decreasing again by 35 percent between 2010 and 2011, as Figure 20 shows.²⁴⁷

FIGURE 18: NUMBER OF CLAIMS OF BUSINESS-SUPPORTED CREDIT



Source: La. Dep't of Revenue, 2008-2011 SRTC Revised 3-15-2013 (Mar. 20, 2013) (on file with the Nat'l Women's Law Ctr.).

FIGURE 19: AMOUNT OF BUSINESS-SUPPORTED CREDIT



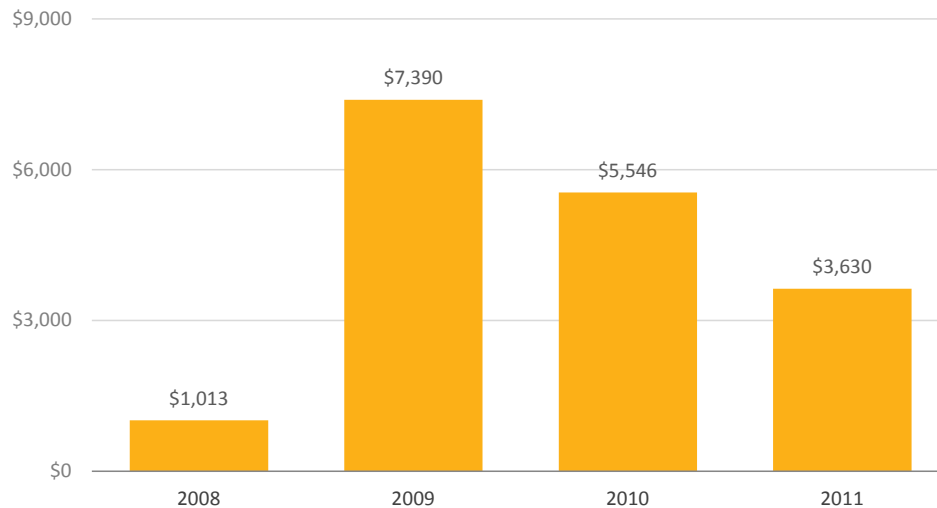
Source: La. Dep't of Revenue, 2008-2011 SRTC Revised 3-15-2013 (Mar. 20, 2013) (on file with the Nat'l Women's Law Ctr.).

In particular, as the number of claims increased substantially between the first three years and 2011 (to 105 in 2011 from 30 in 2008, 41 in 2009, and 42 in 2010), the aggregate amount claimed did not increase proportionately, driving down the average credit amount.²⁴⁸

Depending on the size of the business, and the percentage of expenses offset, the average amount of the credit was more or less substantial to the business that received it. A credit amount of \$7,000, for example, would be more meaningful to a small business than a large one.

The Amount of the Funds Provided to Child Care Centers, in the Aggregate, By Businesses Claiming the Business-Supported Credit Was Substantial, But the Amount of Funds Received By Individual Child Care Centers Is Difficult to Assess

From the available data, it is not possible to determine how many child care centers received funds that were claimed for the Business-Supported Credit, because the DOR does not track the child care facilities at which businesses incurred eligible expenses and claimed the credit for those expenses. Although the DCFS tracks the number of child

FIGURE 20: AVERAGE AMOUNT OF BUSINESS-SUPPORTED CREDIT

Source: Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, 2008-2011 SRTC Revised 3-15-2013 (March 20, 2013) (on file with the Nat'l Women's Law Ctr.).

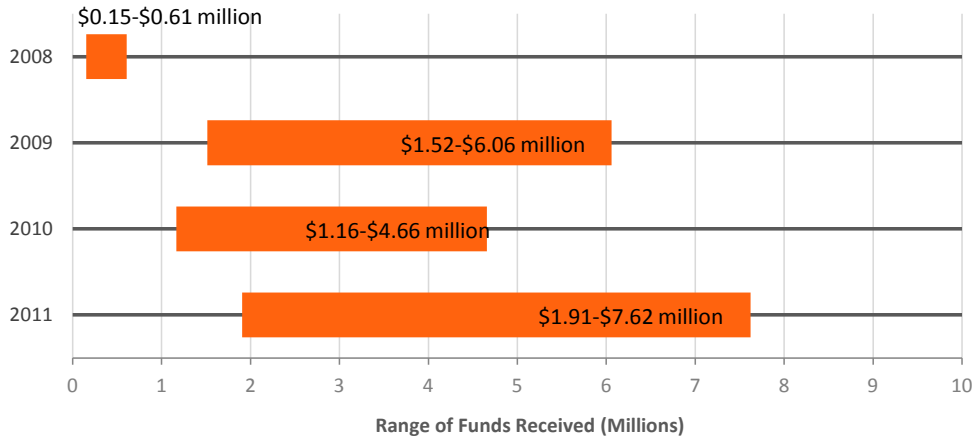
care facilities at which businesses might have incurred eligible expenses (those with two or more stars),²⁴⁹ because a business may claim the credit for expenses paid to more than one eligible child care facility (either within a single category of expenses or for different categories of expenses), that number alone is at best only a starting point. As a result, it is not possible to calculate the average amount paid to individual child care centers.

However, it is possible to calculate the range of funds that were provided, in the aggregate, to eligible child care facilities by businesses that claimed the credit. Because the credit amounts are calculated as a percentage of expenses, with the percentages varying depending on the star rating of the facility, the range of expenses can be estimated by multiplying the credit amount by the inverse of the lowest percentage (for two-star facilities) as the upper boundary and the highest percentage (for five-star facilities) as the lower boundary. For example, in 2008, businesses received \$30,396 from the credit.²⁵⁰ If all of the expenses were incurred at centers with two-star ratings, the amount of expenses used to claim the credit would have approximated \$610,000.²⁵¹ If, instead, all of the expenses were incurred at centers with five-star ratings, the amount of expenses used to claim the credit would have

approximated \$150,000.²⁵² Thus, the range of aggregate funds that could have been received by eligible child care centers in 2008 was between \$150,000 and \$610,000.²⁵³ Without more information about the ratings of the centers at which the expenses were incurred, it is impossible to determine where, within that range, the actual amount of funds received fell. To the extent that more of the centers at which the expenses were incurred had four- or five-star ratings, the aggregate funds actually received would have been closer to the lower boundary of the range; if, instead, more of the centers at which the expenses were incurred had two- or three-star ratings, the aggregate funds received would have been closer to the higher boundary of the range.

The aggregate amount of funds received by child care centers from businesses that claimed the Business-Supported Credit was substantial, as Figure 21 shows. The minimum of \$150,000 paid to child care centers in 2008 grew to over \$1 million in 2009 and 2010, and to nearly \$2 million in 2011.²⁵⁴ The maximum grew even more substantially – from \$610,000 in 2008 to over \$6 million in 2009, over \$4.6 million in 2010, and over \$7.6 million in 2011.²⁵⁵ In total, businesses claiming the credit paid between a minimum of almost \$5 million in funds and a

FIGURE 21: RANGE OF FUNDS RECEIVED BY CHILD CARE FACILITIES FROM BUSINESSES



Source: Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, 2008-2011 SRTC Revised 3-15-2013 (Mar. 20, 2013) (on file with the Nat'l Women's Law Ctr.).

maximum of almost \$19 million in funds to eligible child care centers between 2008 and 2011.²⁵⁶

The Uptake of the Business-Supported Credit Was Very Low

The Business-Supported Credit is available to all businesses, including nonresident businesses, that incur eligible child care expenses. Using the most recent data year, 2011, there were over 80,000 businesses in Louisiana,²⁵⁷ and the number of nonresident businesses was far higher. There are no available data on how many of those businesses incurred eligible child care expenses, but the fact that only 105 businesses claimed the credit in 2011 shows that uptake of the credit was very low.

RESOURCE AND REFERRAL AGENCY CREDIT

As previously described, the R&R Credit is a dollar-for-dollar refundable income or franchise tax credit available to businesses “for the payment ... of fees and grants to child care resource and referral agencies.”²⁵⁸ There are five such R&Rs in Louisiana. The eligible expenses, and therefore the amount of the credit, may not exceed \$5,000 per tax year.²⁵⁹ Eligible businesses may claim both the R&R Credit and the Business-Supported Credit.²⁶⁰

The R&R Credit is the only School Readiness Tax Credit that does not expressly take child care quality into account. The eligible grants and fees paid to R&Rs are not tied to the star levels of particular facilities, and there is no requirement that they be used to benefit providers participating in Quality Start or activities explicitly tied to promoting child care quality more generally.²⁶¹ However, R&Rs routinely undertake activities that can enhance the quality of child care,²⁶² and the R&R Credit is designed to maintain or increase these activities by providing R&Rs with the resources to undertake them, as well as to encourage employers to provide R&R services to employees.

Claiming the Credit

Businesses learn about the R&R Credit in several ways. The DOR website²⁶³ and the Quality Start website²⁶⁴ provide information about the R&R Credit. As with the Business-Supported Credit, neither the DCFS nor the DOR performs any outreach for the credit to businesses,²⁶⁵ but individual R&R directors and staff have worked to promote the credit.²⁶⁶ Some R&Rs have included information about the credit on their websites.²⁶⁷ Some R&Rs have also created fliers and booklets to advertise the credit, made presentations to local business accountants, written articles for professional newsletters, and worked closely with the Chamber of Commerce and Workforce Investment Board

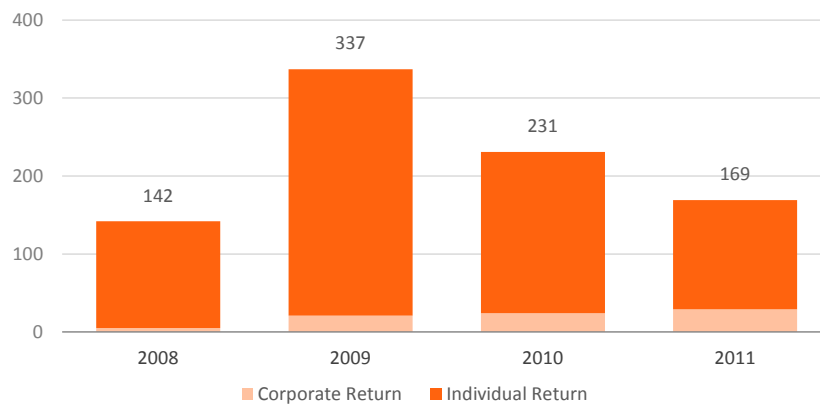
to connect to potential business donors.²⁶⁸ R&Rs have also advertised to and worked directly with accountants to encourage their business clients to donate to the R&R and claim the credit.²⁶⁹

As with the Provider and Business-Supported Credits, the structure of the business determines the return on which it claims the R&R Credit. If the business is owned by a sole proprietor or is a flow-through entity such as a limited liability company, partnership, or S-corporation, it claims the credit on the Individual Income Tax Return.²⁷⁰ If the

business is a corporation or a non-profit, it claims the credit on the Corporation Income and Franchise Tax Return.²⁷¹

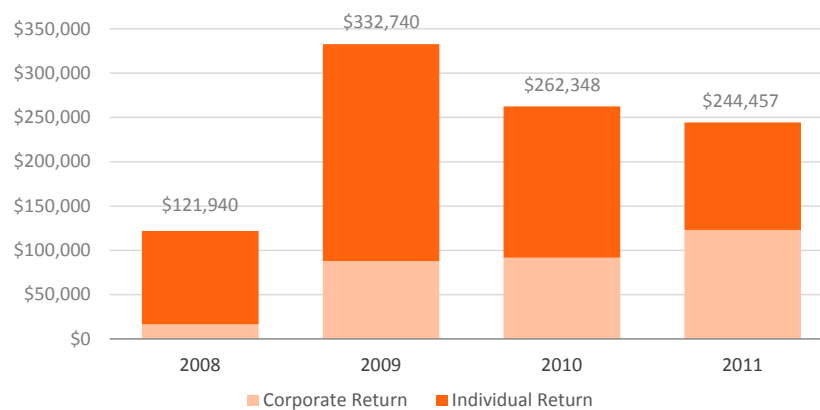
Neither the individual nor the corporate tax return includes a line for the R&R Credit. Instead, as with the Provider, Director and Staff, and Business-Supported Credits, the business enters the amount of the R&R Credit on a schedule with the amounts of several other specified refundable credits for which the business may be eligible,²⁷² and enters the total amount of all refundable credits claimed on a single line on the tax return.²⁷³

FIGURE 22: NUMBER OF CLAIMS OF R&R CREDIT



Source: La. Dep't of Revenue, 2008-2011 SRTC Revised 3-15-2013 (Mar. 20, 2013) (on file with the Nat'l Women's Law Ctr.).

FIGURE 23: AMOUNT OF CLAIMS OF R&R CREDIT



Source: La. Dep't of Revenue, 2008-2011 SRTC Revised 3-15-2013 (Mar. 20, 2013) (on file with the Nat'l Women's Law Ctr.).

Claims of the R&R Credit, 2008-2011

The Number and Amount of Claims of the R&R Credit Grew Significantly Between 2008 and 2009, But Declined Between 2009 and 2011

The number of businesses that claimed the R&R Credit varied between 2008 and 2011, as Figure 22 shows.²⁷⁴ Although the number of businesses that claimed the credit in 2011 – 169 – was not much greater than the number that claimed it in 2008 – 142, the number of businesses that claimed the credit in 2009 was considerably greater – 337.²⁷⁵ The amount claimed similarly varied, as Figure 23 shows. Although the amount of the credit claimed increased from \$121,940 in 2008 to \$332,740²⁷⁶ in 2009 – 173 percent²⁷⁷ – the amount claimed dropped to only \$262,348 in 2010²⁷⁸ and declined even further to \$244,457 in 2011.²⁷⁹ In sum, although there was an increase in the number of claims and the amount of the claims of the credit between 2008 and 2011, there was a decrease in both since the peak in 2009.²⁸⁰

Significantly more claims for the R&R Credit were filed on individual tax returns than on corporate returns between 2008 and 2011, as Figure 22 shows.²⁸¹ The amount claimed on individual returns was much higher than the amount claimed on corporate returns in 2008, but the amount claimed on corporate returns has risen each

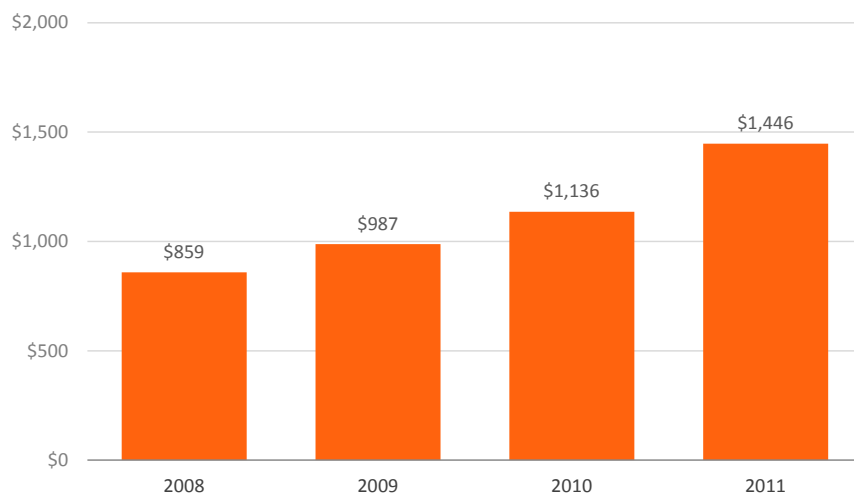
year, as Figure 23 shows.²⁸² In 2008, businesses filing on individual returns received 86 percent of the total amount claimed; in 2009 they received 74 percent; in 2010 they received 65 percent; and in 2011, they received just shy of 50 percent – making 2011 the only year that the amount claimed on corporate returns exceeded the amount claimed on individual returns.²⁸³

Several R&R directors reported a concern from businesses that the dollar-for-dollar credit was “too good to be true,” and that they would not receive the full amount they donated back from the state as tax assistance.²⁸⁴ It is unclear if this affected the number of businesses deciding to provide grants or pay fees to R&Rs that would enable them to claim the credit. Even for the businesses that have claimed the credit, as described below, the average amount claimed has been less than \$5,000.

The Average Amount of the R&R Credit Received By Individual Businesses Was Modest in 2008 Through 2011

The average amount of the R&R Credit was less than \$1,000 in 2008 and 2009, just over \$1,000 in 2010, and just under \$1,500 in 2011, as Figure 24 shows.²⁸⁵ As with the Business-Supported Credit, the average R&R Credit amount was more or less substantial, depending on the size of the business claiming the credit. However,

FIGURE 24: AVERAGE AMOUNT OF R&R CREDIT TO INDIVIDUAL BUSINESSES



Source: Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, 2008-2011 SRTC Revised 3-15-2013 (Mar. 20, 2013) (on file with the Nat'l Women's Law Ctr.).

the average credit amount fell far short of the maximum credit amount even at its highest point. Because the credit amount is equal to the payment of fees and grants by a business to an R&R, up to \$5,000, a business essentially has “nothing to lose” from such a payment. Despite this, the average credit amount was well below \$5,000 each year.

The Amount of Funds Provided to R&Rs, in the Aggregate, By Businesses Claiming the R&R Credit Was Substantial, But the Amount of Funds Received By Individual R&Rs is Difficult to Assess

Because the R&R Credit is equal to the fees and grants donated to R&Rs by businesses, up to \$5,000, the amount received by R&Rs in the aggregate is equal to the credit amount received by businesses claiming the credit in a particular year.²⁸⁶ R&Rs received over \$961,000 in payments from businesses from 2008 through 2011, as Figure 23 shows.²⁸⁷ This is a substantial amount, especially if received as donations rather than fees for services.

From the available data, it is not possible to determine how many R&Rs received funds that were claimed for the R&R Credit because the DOR does not track the R&Rs at which businesses incurred eligible expenses and claimed the credit for those expenses. In addition, R&Rs report that some have been significantly more successful than others in soliciting donations and fees from businesses.²⁸⁸ For example, the Children’s Coalition of Northeast Louisiana states on its website that between 2008 and 2012, it received a total of \$719,365 in donations from businesses in Northeast Louisiana²⁸⁹ and that these donations were used to improve child care quality in a variety of ways.²⁹⁰

The Uptake of the R&R Credit Was Very Low

The R&R Credit is available to all businesses, including nonresident businesses, that make donations to eligible R&Rs. As previously described, there are over 80,000 businesses in Louisiana, and the number of nonresident

businesses is far higher.²⁹¹ There are no available data on how many of these businesses paid fees or made donations to eligible R&Rs. However, the fact that any business could have done so and been fully reimbursed by the R&R Credit, up to \$5,000 annually, but only 169 businesses claimed the credit in 2011, shows that uptake of the credit was very low.

CLAIMS OF THE SCHOOL READINESS TAX CREDITS IN THE AGGREGATE, 2008-2011

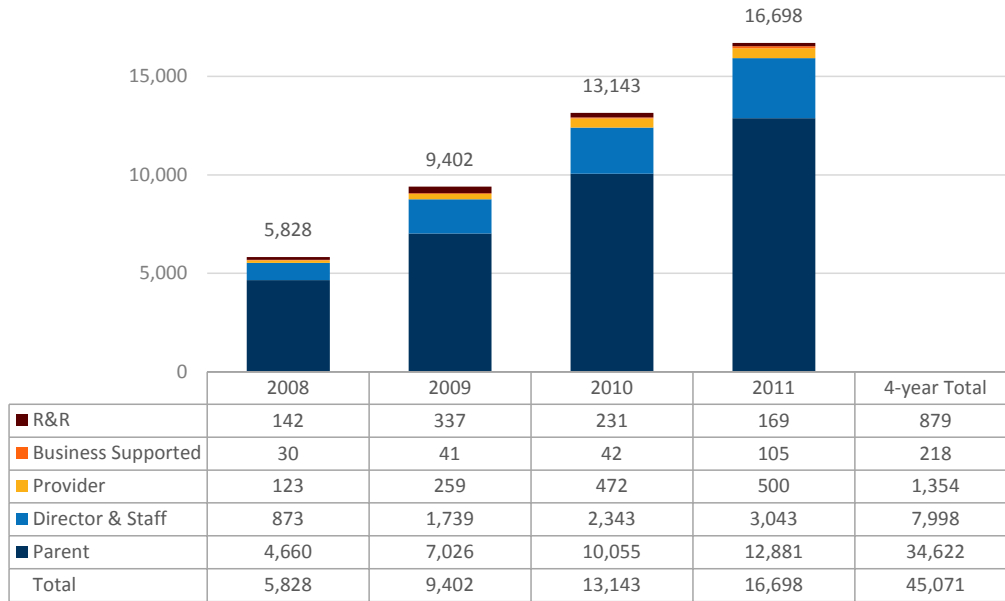
The number of claims of the School Readiness Tax Credits almost tripled between 2008 and 2011,²⁹² increasing from just under 6,000 to nearly 17,000 claims, as Figure 25 shows.²⁹³

Over this four-year period, the largest share of claims of the School Readiness Tax Credits – almost 77 percent – was of the Parent Credit.²⁹⁴ The second-largest share of claims, about 18 percent, was of the Director and Staff Credit.²⁹⁵ The remaining share of claims was split between claims of the Provider Credit, the Business-Supported Credit, and the R&R Credit, with the Business-Supported Credit receiving the smallest share of claims.²⁹⁶

Between 2008 and 2011, the amount claimed for all of the School Readiness Tax Credits more than tripled,²⁹⁷ increasing from more than \$4.1 million to nearly \$14.1 million,²⁹⁸ as Figure 26 shows.

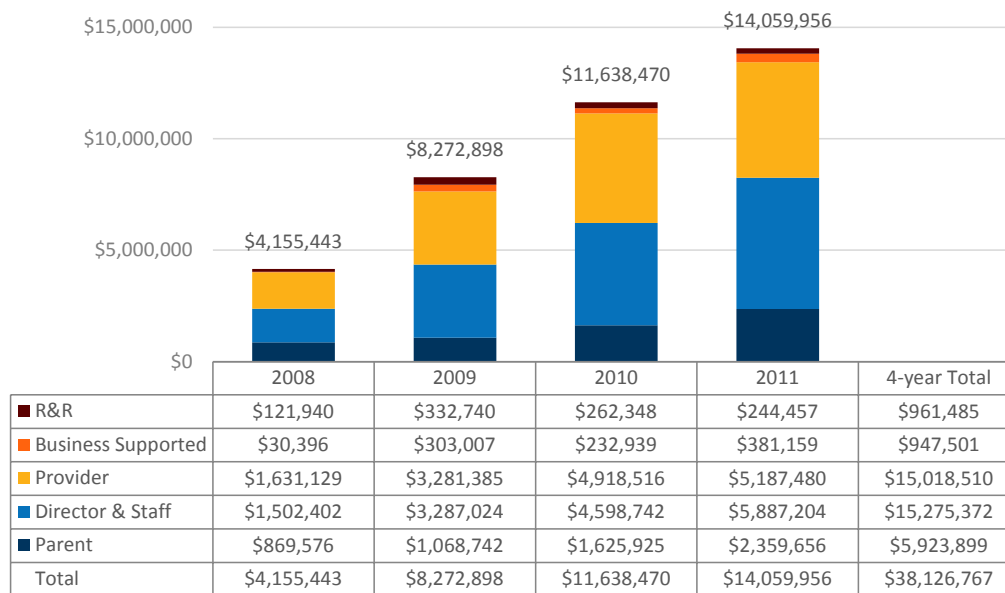
Over this four-year period, the largest amounts claimed were for the Director and Staff Credit (about 40 percent of the amounts claimed) and the Provider Credit (about 39 percent of the amounts claimed).²⁹⁹ These two credits, combined, accounted for almost 80 percent of the amounts claimed during this period.³⁰⁰ The remaining amounts claimed were split between claims of the Parent Credit, the Business-Supported Credit, and the R&R Credit, with the smallest amounts claimed for the Business-Supported Credit.³⁰¹

FIGURE 25: NUMBER OF CLAIMS OF SCHOOL READINESS TAX CREDITS



Source: La. Dep't of Revenue, 2008-2011 SRTC Revised 3-15-2013 (Mar. 20, 2013) (on file with the Nat'l Women's Law Ctr.).

FIGURE 26: AMOUNT OF CLAIMS OF SCHOOL READINESS TAX CREDITS



Source: La. Dep't of Revenue, 2008-2011 SRTC Revised 3-15-2013 (Mar 20, 2013) (on file with the Nat'l Women's Law Ctr.).

Impact of the School Readiness Tax Credits on Improving Child Care Quality for Louisiana Families

THE SCHOOL READINESS TAX CREDITS, enacted at the same time that Louisiana implemented its voluntary Quality Start rating system, were intended to encourage child care providers to improve the quality of their centers and to increase their enrollment of low-income and foster children in higher-quality care, to encourage child care directors and staff to increase their training and professional development and to secure employment at centers of a certain quality, to encourage families – especially low-income families – to use higher-quality care, and to encourage businesses to contribute or increase their contributions to child care facilities of a certain quality or to child care resource and referral agencies, which work in diverse ways to improve the quality of care. Between 2008, when the credits took effect, and 2011, their utilization increased, as documented above, and there were measurable improvements in the quality of child care in Louisiana, including for low-income children, as evidenced by the fact that:

- The number of child care centers participating in Quality Start nearly doubled and both the number and the proportion of these centers with quality ratings of two or more stars increased even more significantly between 2008 and 2011;
- The number of child care directors and staff with Pathways Career Ladder credentials classified as Levels 1 to 4 more than tripled, the number of directors and staff with Career Ladder credentials classified above Level 1 increased almost sixfold, and the proportion of directors and staff with Career Ladder credentials classified above Level 1 almost doubled between 2008 and 2011; and
- The number of children receiving CCAP subsidies or foster care services who were enrolled in centers with

quality ratings of two or more stars increased, and the proportion of such children increased significantly, between 2008 and 2011, despite a decline in the number of children receiving CCAP subsidies.

Although other factors may have contributed to these trends, the correlation between the specific incentives and additional resources provided by the School Readiness Tax Credits and these outcomes provide strong evidence of the impact of the credits.

THE NUMBER OF CHILD CARE CENTERS PARTICIPATING IN QUALITY START NEARLY DOUBLED, AND THE NUMBER AND PROPORTION OF THESE CENTERS WITH QUALITY RATINGS OF TWO OR MORE STARS INCREASED EVEN MORE SIGNIFICANTLY BETWEEN 2008 AND 2011

The number of centers participating in Quality Start increased by 91 percent between 2008 and 2011, from 484 in 2008, to 924 in 2011, as Figure 1 shows.³⁰²

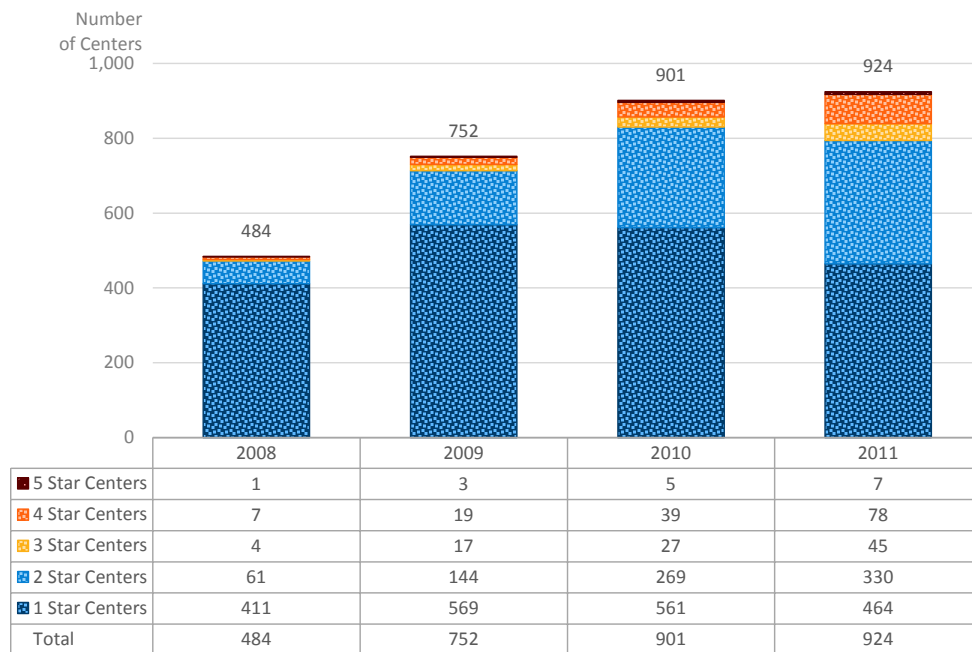
Although centers with ratings of one star made up the largest single category of centers participating in Quality Start throughout this period, and grew by 13 percent between 2008 and 2011 (from 411 in 2008 to 464 in 2011),³⁰³ the number of centers with ratings of two or more stars increased by over 500 percent between 2008 and 2011 (from 73 in 2008 to 460 in 2011), as Figure 1 shows.³⁰⁴ Further, the number of centers with ratings of two or more stars increased at every star level. The number of centers with two stars increased from 61 in 2008 to 330 in 2011;³⁰⁵ the number of centers with three stars increased from 4 in 2008 to 45 in 2011;³⁰⁶ the number of centers with four stars increased from 7 in 2008 to 78 in 2011;³⁰⁷ and the number of centers with five stars increased from 1 in 2008 to 7 in 2011.³⁰⁸

The proportion of centers with ratings of two or more stars participating in Quality Start increased significantly as well, from 15 to 50 percent of the centers enrolled in Quality Start between 2008 and 2011.³⁰⁹ Further, the proportion of centers with ratings of two or more stars increased at every star level. The proportion of centers with two stars increased from 13 percent in 2008, to 36 percent in 2011.³¹⁰ The proportion of centers with three stars increased from 0.8 percent in 2008 to almost 5 percent in 2011,³¹¹ and the proportion of centers with four stars increased from over 1 percent in 2008 to over 8 percent in 2011.³¹² The proportion of centers with five stars increased from 0.2 percent in 2008 to 0.8 percent in 2011.³¹³

The fact that the number of centers participating in Quality Start, an eligibility requirement for four of the five School Readiness Tax Credits,³¹⁴ increased significantly, and both the number and proportion of centers with quality ratings

of two or more stars, an eligibility requirement for three of the five School Readiness Tax Credits,³¹⁵ increased even more significantly between 2008 and 2011 points strongly to the impact of the tax credits on Quality Start ratings. The fact that the number and proportion of centers with quality ratings of two or more stars increased significantly between 2008 and 2011 also points strongly to the impact of the tax credits, because for three of the five credits the higher the quality rating, the larger the credit amount.³¹⁶ From the data, it is not possible to determine whether individual centers moved up the star levels over time, or whether more centers entered Quality Start at a level higher than one star after 2008. In either case, both the number of centers participating in a system that publicly evaluates their quality and the quality ratings of these centers increased, and these increases coincide with the first four years of the School Readiness Tax Credits.

FIGURE 1: QUALITY RATINGS OF CHILD CARE CENTERS PARTICIPATING IN QUALITY START THAT COULD HAVE BEEN THE BASIS FOR TAX CREDIT CLAIMS



Source: Dep't of Children & Family Servs., SRTC Ratings for 2008-2011 (Dec. 14, 2012) (on file with the Nat'l Women's Law Ctr.).

THE NUMBER OF CHILD CARE DIRECTORS AND STAFF WITH PATHWAYS CAREER LADDER CREDENTIALS CLASSIFIED AS LEVELS 1 TO 4 MORE THAN TRIPLED, THE NUMBER OF DIRECTORS AND STAFF WITH CAREER LADDER CREDENTIALS CLASSIFIED ABOVE LEVEL 1 INCREASED ALMOST SIXFOLD, AND THE PROPORTION OF DIRECTORS AND STAFF WITH CAREER LADDER CREDENTIALS CLASSIFIED ABOVE LEVEL 1 ALMOST DOUBLED BETWEEN 2008 AND 2011

The number of child care directors and staff with Pathways Career Ladder credentials classified as Levels 1 to 4 more than tripled between 2008 and 2011 (from 1,247 in 2008 to 4,223 in 2011),³¹⁷ as Figure 5 shows. This increase was on top of a near quadrupling of the number of child care directors and staff with those credentials between 2007 and 2008 (from 342 in 2007 to 1,247 in 2008).³¹⁸

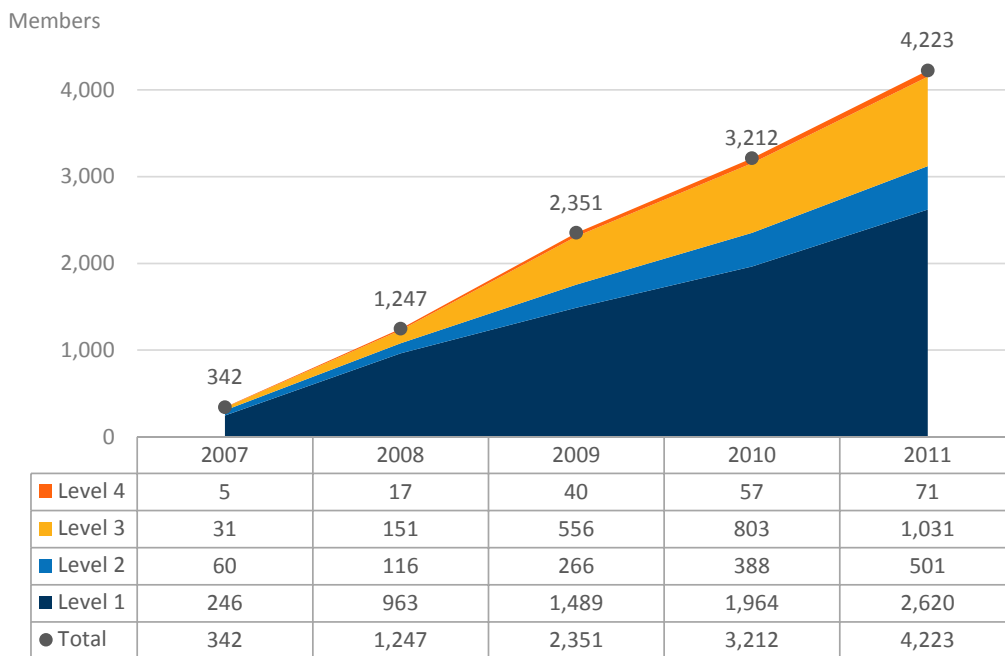
The number of directors and staff with Level 1 credentials was the largest category, and almost tripled between 2008 and 2011 (from 963 in 2008 to 2,620 in 2011).³¹⁹ However, the number of directors and staff with credentials above

Level 1 increased almost sixfold between 2008 and 2011 (from 284 in 2008 to 1,603 in 2011),³²⁰ as Figure 5 shows. Further, the number of directors and staff with credentials above Level 1 increased significantly at every level. The number of directors and staff at Level 2 increased from 116 in 2008 to 501 in 2011;³²¹ the number of directors and staff at Level 3 increased from 151 in 2008 to 1,031 in 2011;³²² and the number of directors and staff at Level 4 increased from 17 in 2008 to 71 in 2011.³²³

The proportion of directors and staff with credentials above Level 1 increased as well between 2008 and 2011, and at every level. The percentage of directors and staff at Level 2 increased from 9 percent in 2008 to 12 percent in 2011.³²⁴ The percentage of directors and staff at Level 3 increased from 12 percent in 2008 to 24 percent in 2011.³²⁵ The percentage at Level 4 increased from about 1.4 percent to 1.7 percent between 2008 and 2011.³²⁶

The fact that the number of directors and staff with Career Ladder credentials classified as Levels 1 to 4, an eligibility requirement for the Director and Staff Credit, increased

FIGURE 5: CHILD CARE DIRECTORS AND STAFF WITH PATHWAYS CAREER LADDER CREDENTIALS CLASSIFIED AS LEVEL 1-4



Source: La. Pathways Career Dev. Sys., Louisiana Pathways Members on Tax Credit Eligible Levels 2008-2011 (Dec. 27, 2012) (on file with the Nat'l Women's Law Ctr.).

significantly between 2007 and 2008, the first year of the credit, and in each year between 2008 and 2011, points strongly to the impact of the Director and Staff Credit on director and staff credentialing through Pathways. The fact that both the number and proportion of directors and staff with tax-credit-eligible Career Ladder credentials increased significantly at every level above Level 1 also points strongly to the impact of the Director and Staff Credit, because the higher the level, the larger the credit amount. From the data, it is not possible to tell whether individuals moved up the levels over time, or whether more directors and staff enrolled in Pathways at levels higher than Level 1 after 2008. In either case, both the number of directors and staff with Level-1-to-Level-4 credentials, and the level of their credentials, increased, and these increases coincide with the first four years of the School Readiness Tax Credits.

In addition, the number of directors and staff participating in Pathways increased substantially, by 36 percent between 2007 and 2008³²⁷ (from 9,400 in 2007 to 12,800 in 2008),³²⁸ and by 80 percent between 2008 and 2011³²⁹ (from 12,800 in 2008 to over 23,000 in 2011).³³⁰ Although Pathways participation is not sufficient to qualify individuals for any of the School Readiness Tax Credits, it does provide a way for individuals to learn about opportunities for advancement and potentially receive financial assistance to improve their credentials in ways that could make them eligible for the credits. For example, Pathways staff reported that the number of professionals receiving education and training scholarships from Pathways increased between 2007 and 2008,³³¹ and that the number of child care professionals with a Child Development Associate credential (required for a Level 1 credential for both administrators and classroom teachers) more than doubled between 2008 and 2011.³³² In addition, Pathways staff reported an increase in demand for college-level courses for child care professionals after 2008, which was sufficient to prompt several community colleges to develop specific early childhood curricula.³³³ These advances, too, increased the credentials of directors and staff, and these increases coincide with the first four years of the School Readiness Tax Credits.

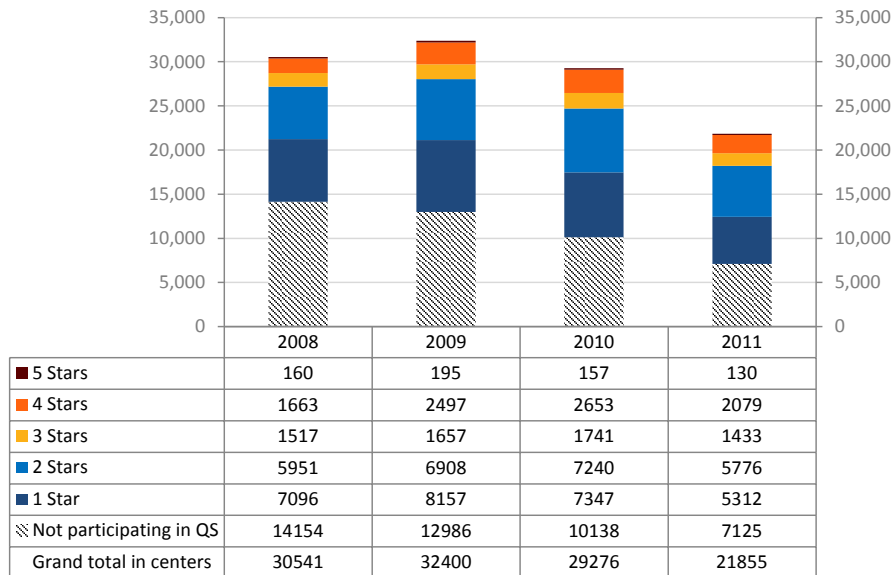
THE NUMBER OF CHILDREN UNDER AGE SIX RECEIVING CCAP SUBSIDIES OR FOSTER CARE SERVICES WHO WERE ENROLLED IN CENTERS WITH QUALITY RATINGS OF TWO OR MORE STARS INCREASED, AND THE PROPORTION OF SUCH CHILDREN INCREASED SIGNIFICANTLY, BETWEEN 2008 AND 2011, DESPITE A DECLINE IN THE NUMBER OF CHILDREN RECEIVING CCAP SUBSIDIES

Although the overall number of children receiving CCAP subsidies or foster care services declined after 2010, due largely to the reduction in the income eligibility limit for families to qualify for CCAP,³³⁴ the number of such children under age six who were enrolled in child care centers with quality ratings of two or more stars increased, as Figure 27 shows. Specifically, between 2008 and 2011, the number of children receiving CCAP subsidies declined by about 21 percent, from an average of 45,300 per month in 2008³³⁵ to an average of 36,000 per month in 2011.³³⁶

Unsurprisingly, the number of children under age six receiving CCAP subsidies or foster care services and enrolled in child care centers also declined between 2008 and 2011, by about 28 percent.³³⁷ However, the number of such children enrolled in child care centers with quality ratings of two or more stars actually increased, though only slightly, by 1.4 percent, between 2008 and 2011 (from 9,291 in November 2008 to 9,418 in November 2011).³³⁸

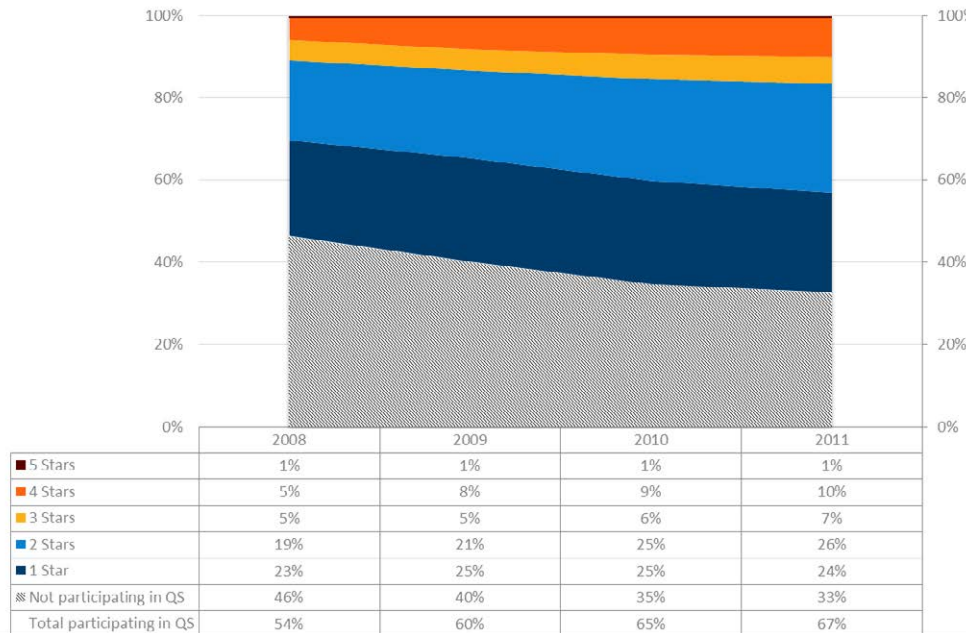
Moreover, the proportion of children under age six receiving CCAP subsidies or foster care services who were enrolled in centers participating in Quality Start – as a share of all children under age six receiving CCAP subsidies or foster care services who were enrolled in all centers – and the proportion of children under age six receiving CCAP subsidies or foster care services who were enrolled in centers with quality ratings of two or more stars, increased significantly between 2008 and 2011, as Figure 28 shows. The proportion of such children enrolled in centers participating in Quality Start increased, from 54 percent in 2008 to 67 percent in 2011,³³⁹ and, the proportion of such children enrolled in centers with quality ratings of two or more stars increased from 30 percent in 2008 to 43 percent in 2011.³⁴⁰ Specifically, the proportion of such children receiving CCAP or foster care services enrolled in centers with two stars increased from 19 percent in 2008 to 26 percent in 2011;³⁴¹ the proportion of such children enrolled

FIGURE 27: NUMBER OF CHILDREN (<AGE 6) RECEIVING CCAP SUBSIDIES AND FOSTER CARE SERVICES BY STAR LEVEL OF CENTER ATTENDED



Source: Nat'l Women's Law Ctr. calculations based on La. Dept. of Children & Family Servs., Licensed Providers All Payments and Children Nov. 2008, Nov. 2009, Nov. 2010, Nov. 2011 (Oct. 7, 2013) (on file with the Nat'l Women's Law Ctr.).

FIGURE 28: PROPORTION OF CHILDREN (< AGE 6) RECEIVING CCAP SUBSIDIES AND FOSTER CARE SERVICES BY STAR LEVEL OF CENTER ATTENDED



Source: Nat'l Women's Law Ctr. calculations based on La. Dept. of Children & Family Servs., Licensed Providers All Payments and Children Nov. 2008, Nov. 2009, Nov. 2010, Nov. 2011 (Oct. 7, 2013) (on file with the Nat'l Women's Law Ctr.).

in centers with three stars increased from 5 percent in 2008 to 7 percent in 2011;³⁴² the proportion of such children enrolled in centers with four stars increased from 5 percent in 2008 to 10 percent in 2011;³⁴³ and the proportion of such children enrolled in centers with five stars remained at 1 percent between 2008 and 2011.³⁴⁴

The 13-percentage-point increase in the proportion of children under age six receiving CCAP subsidies or foster care services enrolled in centers with quality ratings of two or more stars (from 30 percent in 2008 to 43 percent in 2011) corresponded to a 13-point decrease in the proportion of such children enrolled in centers that did not participate in Quality Start (from 46 percent in 2008 to 33 percent in 2011).³⁴⁵ The proportion of such children enrolled in centers with one-star ratings was essentially unchanged, from 23 percent in 2008 to 24 percent in 2011.³⁴⁶

The fact that the proportion of children under age six receiving CCAP subsidies or foster care services enrolled in centers with quality ratings of two or more stars, an eligibility requirement for three of the five School Readiness Tax Credits,³⁴⁷ increased significantly between 2008 and 2011 – and that the number of children under age six receiving CCAP subsidies or foster care services enrolled in these centers increased, even slightly, despite a precipitous decline in the number of children receiving CCAP subsidies after 2010 – points strongly to the impact of the credits on the enrollment of children in these centers. The fact that the proportion of children under age six receiving CCAP subsidies or foster care services enrolled in centers rated two, three and four stars increased at each of these quality rating levels between 2008 and 2011 also points strongly to the impact of these credits, because

for each of these credits, the higher the quality rating, the higher the credit amount. From the data, it is not possible to determine whether the centers in which these children were enrolled moved up the star levels over time, or whether more centers entered Quality Start at a level of two stars or higher after 2008. In either case, both the number and proportion of children under age six receiving CCAP subsidies or foster care services enrolled in centers publicly rated at two stars or higher increased, and these increases coincide with the first four years of the School Readiness Tax Credits.

The increased enrollment of mostly low-income children receiving CCAP subsidies or foster care services in higher-quality-rated centers is notable, because low-income families often find it difficult to obtain higher-quality care, due to its generally higher cost and its limited availability in low-income neighborhoods or for the irregular work hours many low-income parents' jobs require.³⁴⁸ Two of the credits are particularly targeted to increasing the enrollment of low-income children in higher-quality-rated care. Only providers that both serve children receiving CCAP subsidies or foster care services and have a quality rating of at least two stars may claim the Provider Credit, and only parents who both have incomes of \$25,000 or less and enroll their children under age six in centers with a quality rating of at least two stars may claim the refundable Parent Credit. Indeed, as previously described, the fact that similar percentages of potentially eligible families claimed both the refundable and nonrefundable Parent Credit in 2011³⁴⁹ is additional evidence of the refundable Parent Credit's impact on the enrollment of low-income children in higher-quality-rated care.

Conclusion

THE EVIDENCE AVAILABLE FOR TAX YEARS 2008 THROUGH 2011 shows that the package of School Readiness Tax Credits succeeded in improving the quality of child care available in Louisiana, including for low-income children. Between 2008, when the credits took effect, and 2011, utilization of the credits resulted in millions of dollars in new investments in child care quality. These increased investments correlated with improvements in the quality of child care in Louisiana, as measured by the increased number of child care centers being rated for their quality and the increased number and proportion of centers with higher-quality ratings; the increased number of directors and staff credentialed by the state child care development system, and the increased number and proportion of directors and staff with higher-level credentials; and the increased number and proportion of lower-income children enrolled in higher-quality-rated child care centers. This is compelling evidence that the credits, in their first four years, improved the quality of child care in Louisiana – including for low-income children.

These conclusions are reinforced by reports from stakeholders. The child care providers, agency staff, and R&R directors interviewed for this report strongly supported the School Readiness Tax Credits and reported that the credits encouraged providers to participate in Quality Start and to increase their quality ratings; directors and staff to increase their professional qualifications; families, including low-income families, to enroll their children in higher-quality-rated care; and businesses to support higher-quality-rated care, including for their employees, through grants and fees paid to child care centers and to R&R agencies.³⁵⁰ More broadly, the credits helped to increase knowledge among stakeholders about higher-quality care and its benefits.³⁵¹

Stakeholders reported using the tax assistance they received to bolster as well as maintain child care quality. For example, providers reported that they used funds received from the Provider Credit to hire more staff in order to lower child/teacher ratios, help staff pay for higher education, and replenish materials and supplies, all of which can increase the quality of care.³⁵² R&R staff reported that R&Rs used funds from business donations claimed for the R&R Credit to provide resources and training, including materials, professional development opportunities, and mentorship opportunities to teachers, all elements that can help child care centers improve their quality.³⁵³

The success of the School Readiness Tax Credits is due in no small part to the design of the credits.

First, each credit targets a different group of stakeholders, all of whom have a role in increasing the quality of care children receive: the child care facilities that actually provide child care services, the child care directors and staff who work in these programs, the families who choose to enroll their children in particular child care facilities, and the businesses whose employees utilize child care and whose communities benefit from their investments.

Second, the credits offer each of these stakeholders meaningful assistance to improve quality. With the exception of the Parent Credit for families with income above \$25,000, the credits can be worth thousands of dollars for claimants. For example, the average credit amount for the Director and Staff Credit in 2011 (\$1,935) was over ten percent of the annual mean wage of a child care worker in Louisiana in 2011 (\$18,640)³⁵⁴ – or more than a month's wages.³⁵⁵ In addition, again with the exception of the Parent Credit for families with income above \$25,000, the credits are refundable. This aspect of

the credits is particularly important for child care center staff – many of whom are struggling to make ends meet themselves³⁵⁶ – and low-income families who face particular challenges in affording higher-quality, center-based care. Thus, the credits not only promise, but deliver, real assistance to many of the stakeholders who need it most.

Third, the different tax credits complement each other and provide overlapping and mutually reinforcing benefits. For example, director and staff qualifications are one criterion in the Quality Start ratings. The increased levels of director and staff training and education encouraged by the Director and Staff Credit can provide points for a center to receive a higher Quality Start rating, increasing the values of not only the Director and Staff Credit but also the Provider, Parent, and Business-Supported Credits for the relevant stakeholders.

Louisiana's integrated package of School Readiness Tax Credits has been an important strategy for improving child care quality, but the effectiveness of the credits could be increased – and they cannot do the job alone. For example, the Parent Credit provides only limited assistance to families with income above \$25,000, many of whom struggle to pay for child care, especially higher-quality-rated care. In addition, although the number of children under age six receiving CCAP subsidies and foster care services who were enrolled in centers with quality ratings of two or more stars did not decline between 2008 and 2011,³⁵⁷ despite the overall decline in the number of children receiving CCAP subsidies during this period, increased funding for CCAP would not only enable more children to receive this critical assistance but also, in combination with the credits, likely increase the number of low-income children receiving quality-rated care or higher-quality-rated care than they now receive.

In fact, although beyond the scope of this report, reductions in eligibility for CCAP assistance since 2011³⁵⁸ have decreased the number of families receiving CCAP assistance and thereby threaten the continued positive effect of the credits on increasing the number of low-income children receiving higher quality care. Because of the interrelationship of the credits, reductions in the number of families receiving CCAP also threaten the ability of child care providers and child care directors and staff to increase the quality of the care they provide. In establishing the credits, Louisiana wisely recognized that their effectiveness depends on the ability of each stakeholder to contribute to the quality of care. Significantly reducing the ability of one stakeholder – low-income families – to do so has ripple effects on the other stakeholders that make it difficult for them to do their part in increasing the quality of care for all families.

In addition to increased funding for CCAP, increased direct investments in Quality Start, Pathways, and resource and referral services would improve the quality of child care for children at all income levels by helping ensure effective quality-rating standards and compliance with them, helping providers receive higher-level credentials, and helping families and businesses obtain the quality-rated care they need for their children and their employees' children.

In sum, in the first four years after enactment, the School Readiness Tax Credits had a strong and positive impact on child care quality in Louisiana. As part of a comprehensive early care and education strategy, these tax credits can continue to be an effective way of improving the quality of child care for Louisiana's families.

Endnotes

- 1 LA. REV. STAT. ANN. §§ 47:6101-6109 (2013).
- 2 See LA. ADMIN. CODE tit. 67, pt. III, § 5119 (2014); see also *Louisiana Quality Start*, LA. DEP'T OF CHILDREN & FAMILY SERVS., <http://www.qrsloisiana.org> (last visited Mar. 10, 2015).
- 3 LA. ADMIN. CODE tit. 67, pt. III, § 5115 (2014).
- 4 See generally LA. ADMIN. CODE tit. 67, pt. III, §§ 5125, 5127 (2014); see also *Louisiana Pathways Child Care Career Development System*, NORTHWESTERN STATE UNIV. OF LA., <https://pathways.nsula.edu/home-louisiana-pathways-child-care-career-development-system> (last visited Mar. 10, 2015).
- 5 See LA. ADMIN. CODE tit. 67, pt. III, §§ 5101-5106 (2014); see also *Child Care Assistance Program*, LA. DEP'T OF CHILDREN & FAMILY SERVS., <http://www.dss.state.la.us/index.cfm?md=pagebuilder&tmp=home&pid=136> (last visited Mar. 10, 2015).
- 6 Refundable tax credits allow claimants with little or no tax liability to nonetheless receive a benefit. If the amount of the tax credit is more than the claimant owes in taxes, the claimant will receive the difference as a refund. See generally CONG. BUDGET OFFICE, REFUNDABLE TAX CREDITS 1 (2013), available at http://www.cbo.gov/sites/default/files/cbofiles/attachments/43767_RefundableTaxCredits_2012_0.pdf.
- 7 The tax credits took effect in 2008, LA. REV. STAT. ANN. § 47:6103 (2013), as did Quality Start, LA. ADMIN. CODE tit. 67, pt. III, § 5115 (2014).
- 8 SUZANNE HELBURN ET AL., COST, QUALITY, AND CHILD OUTCOMES IN CHILD CARE CENTERS 71 (1995).
- 9 *Id.*; ELLEN S. PEISNER-FEINBERG ET AL., THE CHILDREN OF THE COST, QUALITY, AND OUTCOMES STUDY GO TO SCHOOL, Executive Summary 7 (1999).
- 10 See, e.g., NANCY L. MARSHALL ET AL., WELLESLEY CTRS. FOR WOMEN, THE COST AND QUALITY OF FULL-DAY, YEAR-ROUND EARLY CARE AND EDUCATION IN MASSACHUSETTS: PRESCHOOL CLASSROOMS, Executive Summary 5 (2001), available at <http://www.wcwoonline.org/proj/earlycare/executivenm.pdf> (“Higher quality early care and education costs significantly more than lower quality care and education.”).
- 11 See LINA GUZMAN ET AL., DESIGN PHASE: NATIONAL STUDY OF CHILD CARE SUPPLY AND DEMAND – 2010, Literature Review and Summary 28, 68-69, 77 (2009), available at http://www.acf.hhs.gov/sites/default/files/opre/literature_review.pdf.
- 12 Nat'l Women's Law Ctr. calculations based on CENSUS BUREAU, U.S. DEP'T OF COMMERCE, 2011 AMERICAN COMMUNITY SURVEY (calculations completed using data downloaded from Steven Ruggles, et al., Univ. of Minn., Integrated Public Use Microdata Series: Version 5.0 [Machine-readable database] (2010)), available at <https://usa.ipums.org/usa/>, and analyzed using SPSS, Inc., IBM SPSS Statistics Version 19 (2010)). The calculations assume that children “potentially need child care” if they are part of a single-parent household in which one parent is in the labor force, or part of a two-parent household in which both parents are in the labor force.
- 13 LA. REV. STAT. ANN. § 47:6101 (2013). The preamble to the legislation creating the School Readiness Tax Credits states: “[t]he legislature hereby determines that the benefits of quality child care are indisputable, and that a striking connection exists between children’s learning experiences well before kindergarten and his or her [sic] later school success.” See also Brenda Hodge, 2007 Regular Session Highlights, Tax and Economic Development Issues: Children & Earned Income Tax Credits, LA. STATE SENATE, <http://senate.la.gov/Agriculture/LinkShell.asp?s=IssuebyIssue> (last visited Mar. 10, 2015) (stating that the tax credits “are designed to improve the quality of care, especially for low-income children; to encourage low-income families to enroll their children in quality day care centers and to encourage employers to provide child care benefits to employees.”).
- 14 LA. REV. STAT. ANN. § 47:6105 (2013).
- 15 *Id.*
- 16 *Id.*
- 17 LA. REV. STAT. ANN. § 47:6108(A) (2013).
- 18 LA. ADMIN. CODE tit. 61, pt. I § 1903(A)(2) (2014).
- 19 LA. ADMIN. CODE tit. 61, pt. I § 1903(D)(3) (2014).
- 20 See LA. REV. STAT. ANN. § 47:6106(A) (2013) (establishing the credit and credit amounts according to four levels of credentials); § 47:6106(B) (providing that the various credential levels shall be as defined by the DCFS state practitioner registry); § 47:6102(8), (10) (defining eligible directors and staff as those enrolled in the DCFS state practitioner registry and employed in a child care facility participating in the quality rating system); LA. ADMIN. CODE tit. 67, pt. III, § 5125(A) (2014) (defining the directors and staff enrolled in the DCFS state practitioner registry whose credentials are classified as Levels 1 to 4 for the credit).
- 21 § 47:6106(A).
- 22 LA. REV. STAT. ANN. § 47:6106(C) (2013).
- 23 Quality Start, FAQs for Child Care Staff, La. Dep't of Children & Family Servs. 2011 (on file with the Nat'l Women's Law Ctr.).
- 24 LA. REV. STAT. ANN. § 47:6108(A) (2013).
- 25 LA. REV. STAT. ANN. § 47:6102(1) (2013) (defining child as five years of age or less); § 47:6104(A).
- 26 § 47:6104(A).
- 27 *Id.*
- 28 *Id.* (“There shall be a credit against Louisiana individual income tax for child care expenses in addition to the credit provided for such expenses in R.S. 47:297.4 [Child Care Credit].”)
- 29 LA. REV. STAT. ANN. § 47:6107(A)(1) (2013).
- 30 *Id.*
- 31 § 47:6107(A)(1).
- 32 LA. REV. STAT. ANN. § 47:6108(A) (2013).

- 33 LA. REV. STAT. ANN. § 47:6107(A)(2) (2013).
- 34 § 47:6108(A).
- 35 See § 47: 6017(A)(2) (stating that “[t]here shall be an additional refundable credit . . . for the payment by a business of fees and grants to resource and referral agencies”); see also *School Readiness Tax Credit*, LA. DEP’T OF REVENUE, http://www.revenue.louisiana.gov/sections/individual/school_readiness.aspx (last visited Mar. 10, 2015) (describing the Business-Supported Credit and stating that “[b]usinesses may also receive a tax credit for donations made to Child Care Resource and Referral Agencies.”).
- 36 See LA. ADMIN. CODE tit. 67, pt. III, §§ 5115-5123 (2014). In January 2014, the Economic Stability Section of the DCFS promulgated regulations directing the DCFS to “enter into contract with the Louisiana Department of Education to administer the Child Care Quality Rating System which will assess, improve, and communicate the level of quality in early care and education settings.” LA. ADMIN. CODE tit. 67, pt. III, § 5124 (2014). This contractual arrangement was part of the implementation of the Louisiana Early Childhood Education Act, passed in 2012 to create a “comprehensive and integrated delivery system for early childhood care and education . . . to ensure that every child enters kindergarten healthy and ready to learn.” LA. REV. STAT. ANN. § 17:407.22(B) (2013). As part of the implementation, the State Board of Elementary and Secondary Education was directed to coordinate with the DCFS and the Department of Health and Hospitals to “align the standards for the licensing of child care facilities, including the requirements for participation in the Louisiana Quality Start Child Care Rating System, with the standards established for early childhood education programs.” LA. REV. STAT. ANN. § 17:407.23(B)(4) (2013).
- 37 LA. ADMIN. CODE tit. 67, pt. III, § 5119(A) (2014).
- 38 *Id.*
- 39 LA. ADMIN. CODE tit. 67, pt. III, § 5117 (2014). Under the Louisiana licensing statutes in effect for the years covered by this report, “child care facilities,” including “day care centers,” were required to be licensed if “operated by any institution, society, agency, corporation, person or persons, or any other group for the purpose of providing care, supervision, and guidance of seven or more children, not including those related to the caregiver, unaccompanied by parent or guardian, on a regular basis for at least twelve and one-half hours in a continuous seven-day week.” LA. REV. STAT. ANN. §§ 46:1403(A)(3), :1404 (2013). The definition includes privately run preschools but excepts public schools and Department of Defense facilities. LA. REV. STAT. ANN. § 46:1415 (2013); 10 U.S.C. §§ 1792, 1794 (2012). There were two types of child care licenses — class “A” and class “B” licenses. See LA. ADMIN. CODE tit. 67, pt. III, §§ 7301-7350 (2014) (“Licensing Class “A” Regulations for Child Care Centers”); LA. ADMIN. CODE tit. 67, pt. III, §§ 7355-7385 (2014) (“Licensing Class “B” Regulations for Child Care Centers”). Although the licensing statute was amended, effective October 1, 2014, to modify the classes of licenses, the definition of the day care centers required to be licensed was not changed. Compare LA. REV. STAT. ANN. § 46:1403(A)(3) (2013) (defining day care center to be licensed) with 2014 La. Sess. Law Serv.868 (West) (amending other parts of the licensing statute while leaving the existing day care center definition intact). Final regulations implementing the statute creating the new licensing structure go into effect on April 20, 2015. See Memorandum from Shan N. Davis, Exec. Dir., Board of Elementary and Secondary Ed. to Sen. John A. Alario, Jr., Senate President (Feb. 9, 2015), available at <http://bese.louisiana.gov/documents-resources/rulemaking-docket>.
- 40 La. Dep’t of Children & Family Servs., *Star Ratings by Parish* (Mar. 2012) (on file with Nat’l Women’s Law Ctr.). In 2011, there were 1,789 licensed child care centers in Louisiana. *Licensed Child Care Centers*, KIDS COUNT DATA CENTER, <http://datacenter.kidscount.org/data/tables/1444-licensed-child-care-centers?loc=20&loct=2#detailed/2/any/false/868,867,133,38,35/any/3095> (last visited Mar. 10, 2015). This number includes both “A” and “B” licensed centers, even though only “A” licensed centers are eligible to receive star ratings in the Quality Start system if the other criteria are met. Thus, although 865 licensed centers did not participate in Quality Start in 2011, some of those centers were ineligible to participate because of their type of licensing.
- 41 LA. ADMIN. CODE tit. 67, pt. III, § 5119(B) (2014).
- 42 *Id.*
- 43 LA. ADMIN. CODE tit. 67, pt. III, § 5119(B)(1) (2014) (“One Star—to participate at the one-star level, a child care center shall have a license to operate and comply with standards as defined in LAC 67, Chapter 73, Sections 7301-7354.”); see LA. ADMIN. CODE tit. 67, pt. III, §§ 7301-7350 (“Licensing Class “A” Regulations for Child Care Centers”). A new licensing structure that will replace Class A and B licenses with license Types I, II, and III goes into effect on April 20, 2015, presumably necessitating a change in the Quality Start requirement of a Class A license as well. See 41 La. Reg. 158, 163 (Jan. 20, 2015).
- 44 LA. ADMIN. CODE tit. 67, pt. III, § 5119(B)(2) (2014).
- 45 LA. ADMIN. CODE tit. 67, pt. III, § 5119(B)(3) (2014). See also *Quality Start, Child Care Providers*, LA. DEP’T OF CHILDREN & FAMILY SERVS., <http://www.qrsloouisiana.org/child-care-providers> (last visited Mar. 10, 2015) (“Getting Started: First, centers must complete an application to participate in the Quality Start Child Care Rating System. The Division of Child Care and Early Childhood Education then reviews the center’s most recent licensing survey. If there are no outstanding deficiencies, the center will be awarded one star. From there, the center can apply for two to five stars by documenting that the criteria for that star rating has been met.”). Star ratings are valid for two years. LA. ADMIN. CODE tit. 67, pt. III, § 5121(C) (2014).
- 46 LA. ADMIN. CODE tit. 67, pt. III, § 5121(A)-(B) (2014). After an award or denial of a two- to five-star rating, a center must wait six months to reapply. LA. ADMIN. CODE tit. 67, pt. III, § 5121(B) (2014).
- 47 See La. Dep’t of Children & Family Servs., *SRTC Ratings for 2008-2011* (Dec. 14, 2012) (on file with the Nat’l Women’s Law Ctr.). These are the ratings for the universe of centers whose ratings could have been the basis for claims of the credits; the ratings of a center may vary, according to a center’s year of participation in Quality Start. See LA. REV. STAT. ANN. § 47:6102 (12) (2013); see also E-mail from Daisy Grotsma, Quality Start Manager, La. Dep’t of Ed., to Amy Matsui, Nat’l Women’s Law Ctr. (Apr. 21, 2014) (on file with the Nat’l Women’s Law Ctr.).
- 48 Telephone Interview with Sherry Guarisco, Dir., Div. of Child Care and Early Childhood Educ., La. Dep’t of Soc. Servs. (Feb. 22, 2008).

- 49 LA. REV. STAT. ANN. §§ 47:6104, :6105, :6107 (2013).
- 50 LA. REV. STAT. ANN. § 47:6106 (2013).
- 51 See generally LA. ADMIN. CODE tit. 67, pt. III, §§ 5125, 5127 (2014); see also NORTHWESTERN STATE UNIV. OF LA., *supra* note 4.
- 52 La. Pathways Child Care Career Dev. Sys., Louisiana Pathways (Mar. 17, 2009) (unpublished fact sheet) (on file with the Nat'l Women's Law Ctr.).
- 53 See NORTHWESTERN STATE UNIV. OF LA., *supra* note 4.
- 54 LA. ADMIN. CODE tit. 67, pt. III, § 5125 (2014).
- 55 LA. ADMIN. CODE tit. 67, pt. III, § 5127(A) (2014).
- 56 E-mail from Penny Haire, Career Dev. Coordinator, La. Pathways Child Care Career Dev. Sys., to Amy Matsui, Nat'l Women's Law Ctr. (June 27, 2013) (on file with the Nat'l Women's Law Ctr.).
- 57 NORTHWESTERN STATE UNIV. OF LA., *supra* note 4.
- 58 *Id.*
- 59 LA. ADMIN. CODE tit. 67, pt. III, § 5127(B)-(C) (2014).
- 60 *Id.*; see also NORTHWESTERN STATE UNIV. OF LA., *supra* note 4.
- 61 § 5127(B)-(C).
- 62 Telephone Interview with Jenny Cowan, Scholarship Dir., La. Pathways Child Care Career Dev. Sys. (Dec. 3, 2012).
- 63 *Id.*; see also *Louisiana Pathways Child Care Career Development System, Frequently Asked Questions*, NORTHWESTERN STATE UNIV. OF LA., <https://pathways.nsula.edu/FAQ/> (last visited Mar. 10, 2015).
- 64 See *Louisiana Pathways Child Care Career Development System, Scholarships*, NORTHWESTERN STATE UNIV. OF LA., <http://pathways.nsula.edu/scholarships/> (last visited Mar. 10, 2015).
- 65 Telephone Interview with Jenny Cowan, *supra* note 62; see also NORTHWESTERN STATE UNIV. OF LA., *supra* note 4.
- 66 LA. ADMIN. CODE tit. 67, pt. III, § 5103 (2014).
- 67 LA. ADMIN. CODE tit. 67, pt. III, § 5109(A)-(B) (2014); see also NAT'L WOMEN'S LAW CTR., STATE CHILD CARE ASSISTANCE POLICIES: LOUISIANA (2011), available at <http://www.nwlc.org/sites/default/files/pdfs/louisiana-childcare-subsidy2011.pdf> (reporting 2011 Louisiana copays ranging from 10 percent of income for a family of three at 100 percent of the federal poverty level to 7 percent of income for a family of three at 150 percent of the federal poverty level).
- 68 LA. ADMIN. CODE tit. 67, pt. III, § 5109(B) (2014).
- 69 25 La. Reg. 2444 (Dec. 1999) (codified as amended at LA. ADMIN. CODE tit. 67, pt. III, § 5103(B)(5) (2014)). Although the regulation refers to "state median income," Louisiana does not update its CCAP income eligibility level each year based on that year's state median income. For example, the state median income for a family of three for 2011 was \$55,188, 75 percent of which is \$41,391, but the income eligibility limit for that size family was \$37,896 because the state continued to use state median income for 2009, not 2011, as the basis for the 75 percent calculation. Nat'l Women's Law Ctr. calculations based on Nat'l Women's Law Ctr. Louisiana Annual Data Collection Project, Question 1 (on file with the Nat'l Women's Law Ctr.) (providing the income eligibility limit for child care assistance in Louisiana in 2011), U.S. DEP'T OF HEALTH & HUMAN SERVS., LIHEAP CLEARINGHOUSE, LOUISIANA STATE MEDIAN INCOME FOR FFY 2010/2011, <http://liheap.ch.acf.hhs.gov/profiles/povertytables/FY2011/lasmi.htm> (last visited Mar. 10, 2015) (providing Louisiana's state median income in 2011), and U.S. DEP'T OF HEALTH & HUMAN SERVS., LIHEAP CLEARINGHOUSE, LOUISIANA STATE MEDIAN INCOME FOR FFY 2008/2009, <http://liheap.ch.acf.hhs.gov/profiles/povertytables/FY2009/lasmi.htm> (last visited Mar. 30, 2015) (providing Louisiana's state median income in 2009); see also KAREN SCHULMAN & HELEN BLANK, NAT'L WOMEN'S LAW CTR., STATE CHILD CARE ASSISTANCE POLICIES 2011: REDUCED SUPPORT FOR FAMILIES IN CHALLENGING TIMES 17 (Oct. 2011).
- 70 37 La. Reg. 1374 (May 2011) (codified as amended at LA. ADMIN. CODE tit. 67, pt. III, § 5103(B)(5) (2014)). For this period, however, Louisiana used the state median income for 2011 as the basis for the 65 percent calculation, resulting in a smaller reduction in the income eligibility limit than would have occurred if the state had continued to use state median income for 2009. See E-mail from Amanda Skinner, Program Coordinator, La. Dep't of Children & Family Servs., to Karen Schulman, Senior Policy Analyst, Nat'l Women's Law Ctr. (Apr. 11, 2012) (on file with the Nat'l Women's Law Ctr.). The state further decreased its income eligibility limit from 65 percent of state median income, to 55 percent, effective August 2012. 38 La. Reg. 3103 (Dec. 2012) (codified at LA. ADMIN. CODE tit. 67, pt. III, § 5103(B)(5) (2014)).
- 71 Nat'l Women's Law Ctr. calculations based on CARE SOLUTIONS, INC., LOUISIANA MARKET RATE SURVEY (Sept. 2010) and Child Care and Development Fund, 45 C.F.R. pts. 98-99 (1998) (stating the federally recommended reimbursement rate). See also SCHULMAN & BLANK, *supra* note 69, at 26 (finding Louisiana's 2011 reimbursement rate was below the 50th percentile of 2010 market rates). States are required to conduct market rate surveys once every two years. Child Care and Development Fund, 63 Fed. Reg. 39,985-6, 39,988 (July 24, 1998) (codified at 45 C.F.R. pt. 98-99 (2014)).
- 72 See GINA ADAMS ET AL., URBAN INST., CHILD CARE VOUCHER PROGRAMS: PROVIDER EXPERIENCES IN FIVE COUNTIES 19-23 (2008), available at http://www.urban.org/UploadedPDF/411667_provider_experiences.pdf.
- 73 OFFICE OF CHILD CARE, U.S. DEP'T OF HEALTH & HUMAN SERVS., CHILD CARE & DEVELOPMENT FUND STATISTICS, FY 2011 FINAL DATA TABLES, Tbl. 1, Average Monthly Adjusted Number of Families and Children Served (2014), available at <http://www.acf.hhs.gov/programs/occ/resource/fy-2011-ccdf-data-tables-final-table-1> (providing number of children in Louisiana receiving CCAP assistance in 2011); NAT'L ASS'N OF CHILD CARE RES. & REFERRAL AGENCIES, CHILD CARE IN AMERICA, 2011 FACT SHEETS 51, available at http://www.naccrra.org/sites/default/files/default_site_pages/2011/childcareinamerica_facts_full_report-2011.pdf (providing number of child care providers in Louisiana receiving CCAP assistance in 2011).
- 74 LA. ADMIN. CODE tit. 67, pt. III, § 5107(A) (2014); see also Class A Child Center Application Letter from La. Dep't of Ed. to Child Care Providers, available at <http://www.louisianabelieves.com/docs/default-source/child-care-providers/class-a-child-care-center-initial-packet.pdf?sfvrsn=2>. Child care centers licensed by the Department of Defense may participate in CCAP without obtaining a Class A license. See § 5107(A).

- 75 LA. ADMIN. CODE tit. 67, pt. III, § 5123(A) (2014).
- 76 *Id.* Two-star centers receive a 3 percent bonus, three-star centers receive an 8 percent bonus, four-star centers receive a 13.5 percent bonus, and five-star centers receive a 20 percent bonus.
- 77 LA. REV. STAT. ANN. § 47:297.4(A) (2013).
- 78 LA. REV. STAT. ANN. §§ 47:297.4(A)(1), (B)(1) (2013).
- 79 See I.R.C. § 21(a)(2), (c) (2012) (defining the maximum credit amount as 35% of \$6,000 for two or more children).
- 80 See, e.g., NANCY DUFF CAMPBELL AT AL., NAT'L WOMEN'S LAW CTR., MAKING CARE LESS TAXING: IMPROVING STATE CHILD AND DEPENDENT CARE TAX PROVISIONS 12 (2011), available at <http://www.nwlc.org/resource/2011-making-care-less-taxing-improving-state-child-and-dependent-care-tax-provisions>.
- 81 The federal CADC Credit requires that child care providers who care for more than six individuals comply with all applicable state and local regulations. See I.R.C. § 21(b)(2)(C)-(D) (2012). Because the Louisiana Child Care Credit is based on the federal credit, it incorporates those requirements. § 47:297.4(A).
- 82 See *Locate Childcare*, LA. ASS'N OF CHILD CARE RES. & REFERRAL AGENCIES, <http://www.laccrra.org/> (last visited Mar. 10, 2015).
- 83 See *Tax expenditures related to the individual income tax: Hearing before the Revenue Study Comm'n of the Louisiana H.R.* (Oct. 12, 2012) (statement of Lynda Gavioli, Exec. Dir., Children's Coalition of Northeastern La.), available at http://house.louisiana.gov/H_Video/2012/Oct2012.htm.
- 84 LA. REV. STAT. ANN. § 47:6105 (2013).
- 85 *Id.*
- 86 *Id.*
- 87 *Id.*
- 88 *Id.*
- 89 LA. ADMIN. CODE tit. 61, Pt. I, § 1903(A)(2) (2014).
- 90 See LA. DEP'T OF REVENUE, *supra* note 35.
- 91 See Quality Start, *FAQs for Child Care Providers*, LA. DEP'T OF CHILDREN & FAMILY SERVS., <http://www.qrsloisiana.org/child-care-providers/faqs> (last visited Mar. 10, 2015).
- 92 Telephone Interview with Gail Kelso, Adm'r, Quality Start Program, La. Dep't of Children & Family Servs. (Dec. 14, 2012).
- 93 *Id.*
- 94 See, e.g., Sample Letter from La. Dep't of Child & Family Servs., Child Dev. & Early Learning Section, to Quality Start Child Care Providers (Dec. 16, 2011) (on file with the Nat'l Women's Law Ctr.).
- 95 LA. ADMIN. CODE tit. 61, pt. I, § 1903(C)(2) (2014). The certificate must include the child care facility's name, star rating, and license number. *Id.* The certificate developed by the DCFS also provides the amount of the Provider Credit per child, and the total amount of the Credit. See, e.g., Child Dev. & Early Learning Section, La. Dep't of Children & Family Servs., Sample Certificate of Star Rating and Average Number of Children Child Care Center School Readiness Tax Credit (SRTC) (Feb. 29, 2012) (on file with the Nat'l Women's Law Ctr.). The certificate explains the way in which the average monthly number of children was calculated and explains the steps needed to claim the credit, and includes a directive to attach the original certificate to the provider's income tax return, if filing a paper return, present the original certificate to a tax preparer, if one is used, or retain the original certificate, if filing electronically.
- 96 LA. REV. STAT. ANN. § 47:6108(B)(2)-(4) (2013); see also LA. DEP'T OF REVENUE, *supra* note 35. Refundable tax credits are allocated between partners or shareholders based on each partner or shareholder's percentage of ownership, and applied against their income tax and corporation franchise tax liability. LA. REV. STAT. ANN. § 47:6108(B)(2)-(4) (2013).
- 97 See LA. REV. STAT. ANN. § 47:6108(B)(1) (2013); see also LA. DEP'T OF REVENUE, *supra* note 35. Those centers that do not have a tax identification number must register with the DOR in order to receive a tax identification number and claim the credit. LA. DEP'T OF REVENUE, *supra* note 35.
- 98 La. Dep't of Revenue, 2011 Louisiana Resident Individual Income Tax Return IT-540 [hereinafter La. Dep't of Revenue, Individual Return], Schedule F (return used if the center is owned by a sole proprietor or is a flow-through entity, such as a limited liability company or partnership, or S-Corporation); La. Dep't of Revenue, 2011 Louisiana Corp. Income & Franchise Tax Return, Form CIFT-620 [hereinafter La. Dep't of Revenue, Corp. Return] Schedule RC (return used if the center is a non-profit or for-profit corporation). Each schedule includes a directive to attach it to the provider's tax return. (The School Readiness Tax Credit provisions on the 2011 tax forms are identical to those provisions on the 2008-2010 Louisiana tax forms.)
- 99 La. Dep't of Revenue, Individual Return, *supra* note 98, Line 23; La. Dep't of Revenue, Corp. Return, *supra* note 98, Line 15A.
- 100 La. Dep't of Revenue, 2008-2011 SRTC Revised 3-15-2013 (Mar. 20, 2013) (on file with the Nat'l Women's Law Ctr.).
- 101 *Id.*
- 102 *Id.*
- 103 Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, *supra* note 100.
- 104 Compare 25 La. Reg. 2444 (Dec. 1999) (codified as amended at LA. ADMIN. CODE tit. 67, pt. III, § 5103(B)(5) (2014)) (stipulating an eligibility limit of 75% of state median income) with 37 La. Reg. 1374 (May 2011) (codified as amended at LA. ADMIN. CODE tit. 67, pt. III, § 5103(B)(5) (2014)) (lowering the eligibility limit to 65% of state median income). Although this change took place midway through 2011, because the Provider Credit is calculated using the average monthly number of children receiving assistance, it had the potential to affect all the claims for that year.
- 105 OFFICE OF CHILD CARE, U.S. DEP'T OF HEALTH & HUMAN SERVS., CHILD CARE & DEVELOPMENT FUND STATISTICS Tbl. 1, Average Monthly Adjusted Number of Families and Children Served (FFY 2010) (2013), available at http://www.acf.hhs.gov/sites/default/files/occ/fy_2010_ccdf_data_tables_final.pdf.
- 106 OFFICE OF CHILD CARE, *supra* note 73.

- 107 La. Dep't of Revenue, *supra* note 100.
- 108 Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, *supra* note 100.
- 109 *Id.*
- 110 *Id.* The calculations divide the aggregate amount of the credit by the number of claims of the credit. The DOR does not track claims of the Provider Credit by the income of the claimant, the star level of the center, or the number of eligible children served by the center.
- 111 La. Dep't of Children & Family Servs., *supra* note 47.
- 112 *Id.*
- 113 However, other DCFS data suggest that a similar number of centers with at least a two-star rating served children receiving assistance from CCAP or children in foster care in at least some months of 2011. For example, in November 2011, 463 centers with a two-star or higher rating served children receiving assistance from CCAP or children in foster care. La. Dep't of Children & Family Servs., CAPS Payment and TIPS Quality Rating Information Nov. 2011 (Aug. 13, 2013) (on file with the Nat'l Women's Law Ctr.).
- 114 La. Dep't of Revenue, *supra* note 100.
- 115 See E-mail from Gail Kelso, Administrator, Quality Start Program, Dep't of Children & Family Servs., to Katherine Wallat, Nat'l Women's Law Ctr. (Aug. 8, 2013) (on file with the Nat'l Women's Law Ctr.); see also LA. REV. STAT. ANN. § 47:6102(3) (2013) (defining "child care provider" as "a taxpayer who owns an eligible child care facility"); see also LA. DEP'T OF REVENUE, *supra* note 35 (explaining that partners and shareholders should apportion the credit based on each partner's or shareholder's percentage of ownership).
- 116 See E-mail from Tara Loeske, Program Specialist, Dep't of Children & Family Servs., to Katherine Wallat, Nat'l Women's Law Ctr. (Mar. 25, 2013) (on file with the Nat'l Women's Law Ctr.). The data tabulated by the DOR do not make a distinction between those claiming the credit for the current tax year and those claiming it for previous tax years.
- 117 See *supra* notes 19 and 20 and accompanying text.
- 118 See *supra* notes 58-61 and accompanying text.
- 119 See LA. ADMIN. CODE tit. 67, pt. III, §5127 (D) (2014).
- 120 LA. REV. STAT. ANN. § 47:6106(A) (2013).
- 121 LA. REV. STAT. ANN. § 47:6106(C) (2013). The statute provides that, beginning "calendar year 2009," these tax credit amounts are adjusted annually by the percentage increase in the Consumer Price Index United States city average for all urban consumers (CPI-U). *Id.* It is unclear whether this statutory language required the DOR to first adjust the credit amount for tax year 2009, or tax year 2010. However, this language appears to have been interpreted by the DOR to require it to first adjust the credit amount for tax year 2010, because the 2009 credit amount did not reflect the relevant increase in the CPI-U (3.8 percent. See BUREAU OF LABOR STATISTICS, U.S. DEP'T OF LABOR, CPI DETAILED REPORT, DATA FOR JANUARY 2014 94 (Malik Crawford & Jonathan Church, eds., 2014), available at <http://www.bls.gov/cpi/cpid1401.pdf> (highlighting historical CPI-U data). A slight decrease in the CPI-U between tax year 2009 and tax year 2010, see *id.*, resulted in no change in the credit amount for 2010. The increase in the CPI-U between tax year 2010 and tax year 2011, see *id.*, resulted in the same increase in the credit amount for 2011 – 1.6 percent.
- 122 LA. DEP'T OF REVENUE, *supra* note 35.
- 123 See, e.g., Quality Start, *FAQs for Child Care Staff*, LA. DEP'T CHILDREN & FAMILY SERVS., <http://www.qrsloisiana.org/child-care-staff/faqs> (last visited Mar. 10, 2015).
- 124 Telephone Interview with Jenny Cowan, *supra* note 62. When the School Readiness Tax Credits were first enacted, Pathways staff conducted outreach by making presentations at various professional conferences. Telephone Interview with Nancy Alexander, Dir., La. Pathways Child Care Career Dev. Sys. (Dec. 20, 2012).
- 125 Telephone Interview with Jenny Cowan, *supra* note 62.
- 126 LA. ADMIN. CODE tit. 61, pt. 1, § 1903(D)(2) (2014). The instructions to the draft certificate form developed by the DCFS set forth the requirements for claiming the credit, provide a link to the Quality Start website where the current amount of the credit can be found, and explain the steps needed to claim the credit. Child Dev. & Early Learning Section, La. Dep't of Children & Family Servs., Draft Instructions for Completing the Enclosed Louisiana School Readiness Tax Credit Form For Child Care Director and Staff Member (Dec. 2012) (on file with Nat'l Women's Law Ctr.). There are three parts of the certificate – one completed by Pathways, one completed by the employing child care center, and one completed by the director or staff member claiming the credit. Pathways sends the form to the director or staff member populated with the name of the director or staff member, the last four digits of that individual's Social Security number, and the individual's Pathways Career Ladder credential. *Id.* The employing child care center completes another part of the form by filling in identifying information for the center and specifying the dates that the director or staff member was employed at the center. *Id.* Finally, the director or staff member fills in the remaining part of the form by adding the other five digits of that individual's Social Security number and other contact information. *Id.* The form includes a directive to attach the original form to the income tax return, if filing a paper return, present the original form to a tax preparer, if one is used, or retain the original form, if filing electronically. *Id.*; see also LA. REV. STAT. ANN. § 47:6106(D) (2013).
- 127 Child Dev. & Early Learning Section, *supra* note 126.
- 128 La. Dep't of Revenue, Individual Return, *supra* note 98, Schedule F. (The School Readiness Tax Credit provisions on the 2011 tax forms are identical to those provisions on the 2008-2010 Louisiana tax forms.) The schedule, which must be attached to the individual's tax return, is the same one used to claim the Provider Credit. See *id.*
- 129 La. Dep't of Revenue, Individual Return, *supra* note 98, Line 23.
- 130 La. Dep't of Revenue, *supra* note 100.

- 131 *Id.*
- 132 Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, *supra* note 100.
- 133 La. Dep't of Revenue, *supra* note 100.
- 134 Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, *supra* note 100.
- 135 *Id.* The calculations divide the aggregate value of the credit by the number of claims of the credit. The DOR does not track claims of the Director and Staff Credit by income of the claimant, the star level of the center in which the claimant is employed, or the Career Ladder credential level of the claimant.
- 136 See BUREAU OF LABOR STATISTICS, U.S. DEP'T OF LABOR, STATE OCCUPATIONAL EMPLOYMENT & WAGE ESTIMATES LOUISIANA (May 2011), available at http://www.bls.gov/oes/2011/may/oes_la.htm.
- 137 The annual mean wage of child care workers with Pathways credentials eligible for the credit may be higher, but data on these workers are not available.
- 138 La. Pathways Child Care Career Dev. Sys., Louisiana Pathways Members on Tax Credit Eligible Levels (Dec. 27, 2012) (on file with the Nat'l Women's Law Ctr.).
- 139 E-mail from Penny Haire, Career Dev. Coordinator, La. Pathways Child Care Career Dev. Sys., to Amy Matsui, Nat'l Women's Law Ctr. (Jan. 2, 2013) (on file with the Nat'l Women's Law Ctr.).
- 140 La. Dep't of Revenue, *supra* note 100.
- 141 Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, *supra* note 100, and La. Pathways Career Dev. Sys., *supra* note 138. The percentages are similar in 2008, 2009 and 2010. In 2008, 873 directors and staff claimed the credit, compared with 1,247 eligible Pathways participants (70 percent); in 2009, 1,739 directors and staff claimed the credit, compared with 2,351 eligible Pathways participants (74 percent); in 2010, 2,343 directors and staff claimed the credit, compared with 3,212 eligible Pathways participants (73 percent). *Id.*
- 142 LA. REV. STAT. ANN. § 47:6104(A), (C) (2013).
- 143 § 47:6104(A).
- 144 LA. REV. STAT. ANN. § 47:297.4 (2013).
- 145 § 47:6104(A).
- 146 I.R.C. § 21(c) (2012). A qualifying child must be under age thirteen. I.R.C. § 21(b)(1)(A) (2012). A qualifying dependent may be any age but must be a spouse or dependent who is incapable of self-care. I.R.C. § 21(b)(1)(B)- (C) (2012).
- 147 I.R.C. § 21(a)(2) (2012).
- 148 See CAMPBELL ET AL., *supra* note 80, at 12.
- 149 LA. REV. STAT. ANN. § 47:297.4(A)(1)(a) (2013).
- 150 LA. REV. STAT. ANN. § 47:297.4(B)(1) (2013). A qualifying child must be under age thirteen; LA. REV. STAT. ANN. § 47:297.4(A) (2013). Louisiana has a separate tax credit for dependents incapable of self-care. See LA. REV. STAT. ANN. § 47:297.2 (2013). For the refundable portion of the Child Care Credit, the Louisiana tax forms and instructions for tax year 2011 direct the tax filer to calculate the credit amount using expenses incurred for the care of a child under age thirteen. However, for the nonrefundable portion of the credit, the Louisiana forms and instructions for tax year 2011 direct the filer to calculate the credit amount based on the federal CADDC credit, although the federal amount may include expenses for spouses and dependents incapable of self-care. I.R.C. § 21(b)(1)-(2) (2012).
- 151 LA. REV. STAT. ANN. § 47:297.4(A)(2)-(3) (2013).
- 152 LA. REV. STAT. ANN. § 47:297.4(A)(4).
- 153 Compare LA. REV. STAT. ANN. § 47:297.4(A)(1)(a)-(b), (B)(1) (2013) (specifying that the credit for families with incomes of \$25,000 or less be calculated based on the federal tax credit before it is reduced by federal income tax liability, and that any amount of credit exceeding income tax liability be refunded to the tax filer) with LA. REV. STAT. ANN. § 47:297.4(A)(2)-(4), (B)(2) (2013) (specifying that the credit for families with incomes above \$25,000 be calculated as a percentage of the federal credit claimed on the federal tax return, and if the credit amount exceeds tax liability it should be carried forward as a credit against subsequent years' tax liability).
- 154 § 47:297.4(B)(2).
- 155 LA. REV. STAT. ANN. § 47:6104(A) (2013). A qualifying child must be under age six. LA. REV. STAT. ANN. § 47:6102(1) (2013). If a child attended more than one facility during the year, the star level of the highest-quality rated facility is used to calculate the credit amount. LA. REV. STAT. ANN. § 47:6104(B) (2013).
- 156 § 47:6104(A).
- 157 *Id.* The percentage of the credit for two-star facilities is 50 percent; for three-star facilities, 100 percent; for four-star facilities, 150 percent; and for five-star facilities, 200 percent. *Id.*
- 158 LA. REV. STAT. ANN. § 47:6104(C) (2013).
- 159 *Id.*
- 160 *Id.*
- 161 LA. REV. STAT. ANN. § 47: 6104(A) (2013).
- 162 The child receiving care must live with the tax filer for more than half the year. I.R.C. § 21(b)(1) (2012).
- 163 See LA. REV. STAT. ANN. § 47:297.4(A) (2013). See also *supra* note 150.
- 164 LA. REV. STAT. ANN. § 47:6102(1) (2013). See also *supra* note 150.
- 165 See LA. REV. STAT. ANN. § 47:6104(B) (2013). Although the federal CADDC Credit and Louisiana Child Care Credit are limited to a percentage of the child care expenses for a maximum of two children, there is no corresponding limit on the number of children under age six whose expenses may be claimed for the Parent Credit. See *infra* notes 166-171, and accompanying text.
- 166 § 47:6104(B) .
- 167 La. Dep't of Revenue, 2011 Louisiana Resident Individual Income Tax Instructions [hereinafter La. Dep't of Revenue,

- Individual Instructions] 30, 33 (providing instructions for calculating both the refundable and nonrefundable credits). (The School Readiness Tax Credit provisions on the 2011 tax forms are identical to those provisions on the 2008-2010 Louisiana tax forms.)
- 168 *Id.*
- 169 *Id.* Thus 200% = 2, 150% = 1.5, 100% = 1 and 50% = .5.
- 170 *Id.*
- 171 See § 47:6104(B).
- 172 LA. DEP'T OF REVENUE, *supra* note 35.
- 173 See, e.g., Quality Start, *FAQs for Parents*, LA. DEP'T OF CHILDREN & FAMILY SERVS., <http://www.qrsloisiana.org/parents/faqs> (last visited Mar. 10, 2015).
- 174 Telephone Interview with Gail Kelso, *supra* note 92.
- 175 *Id.*
- 176 See Sample Letter from Child Dev. & Early Learning Section, La. Dep't of Children & Family Servs., to Quality Start Child Care Providers (Dec. 16, 2011) (on file with the Nat'l Women's Law Ctr.) (explaining that providers will receive Department of Revenue form R-10614 to partially complete and then to give to each family with a qualifying child under age six).
- 177 LA. ADMIN. CODE tit. 61, pt. 1, § 1903(B)(1) (2014).
- 178 LA. ADMIN. CODE tit. 61, pt. 1, § 1903(B)(2) (2014). The provider portion of the form includes the center name, the star rating of the center, the center's Louisiana tax identification number, the center's DCFS license number, the name of the child attending the center, and the issue date and effective year. *Id.* The provider must submit to the DOR a list of all families to whom the provider gives the form. *Id.* See also La. Dep't of Revenue, Individual Instructions, *supra* note 167, 30, 33 (stating that to claim the credit, the tax filer must have received Form R-10614 from the child care provider with relevant information completed).
- 179 LA. ADMIN. CODE tit. 61, pt. 1, § 1903(B)(3) (2014). The family portion of the form includes the name and Social Security numbers of the individual family member claiming the credit and the name, Social Security number and dates of birth of qualifying children. *Id.* The DCFS developed instructions to accompany the Department of Revenue's Form R-10614, generally describing eligibility for claiming the credit and steps families must take in order to claim the credit. See Child Dev. & Early Learning Section, La. Dep't of Children & Family Servs., Draft Instructions for Completing the Enclosed Louisiana School Readiness Tax Credit Form Child Care Expense Credit (Dec. 2012) (on file with the Nat'l Women's Law Ctr.). The form contains a directive to attach the original form to the income tax return, if filing a paper return, present the original form to a tax preparer, if one is used, or retain the original form, if filing electronically. La. Dep't of Revenue, Form R-10614 (2012) (on file with the Nat'l Women's Law Ctr.).
- 180 See La. Dep't of Revenue, Individual Return, *supra* note 98, Lines 12D, 12E & 20. (The School Readiness Tax Credit provisions on the 2011 tax forms are identical to those provisions on the 2008-2010 Louisiana tax forms.)
- 181 La. Dep't of Revenue, *supra* note 100.
- 182 *Id.*
- 183 *Id.*
- 184 Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, *supra* note 100.
- 185 La. Dep't of Revenue, *supra* note 100.
- 186 Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, *supra* note 100.
- 187 La. Dep't of Revenue, *supra* note 100.
- 188 Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, *supra* note 100.
- 189 La. Dep't of Revenue, *supra* note 100.
- 190 Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, *supra* note 100.
- 191 *Id.*
- 192 La. Dep't of Revenue, *supra* note 100.
- 193 Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, *supra* note 100.
- 194 La. Dep't of Revenue, *supra* note 100.
- 195 Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, *supra* note 100.
- 196 *Id.*
- 197 See La. Dep't of Revenue, By Star Rating (Mar. 21, 2013) (on file with the Nat'l Women's Law Ctr.). The total number of claims of the refundable portion, the nonrefundable portion, and the credit overall broken out by star levels in Figures 13-15 slightly exceeds the totals in Figure 11, which are not broken out by star levels, presumably because a family can claim expenses incurred at more than one child care facility for the Parent Credit. There appears to be an anomaly in 2008, when the number of claims of the credit for five-star centers is impossibly high. As Figure 1 shows, there was one five-star center in 2008. Notwithstanding, the DOR reports that 1,714 claims of the Parent Credit were for expenses incurred at five-star centers for tax year 2008. *Id.* Accordingly, the analysis that follows focuses on tax years 2009-2011.
- 198 Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, *supra* note 197. Because of the anomalously high number of claims based on five-star center care, as described in note 197, over 63 percent of those who claimed the Parent credit did so for care expenses at centers rated more than two stars in 2008.
- 199 *Id.*
- 200 *Id.*
- 201 Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, *supra* note 100. It seems likely that the anomalously high number of claims of the Parent Credit based on expenses incurred at five-star centers, as described in note 197, skewed the average refundable credit amounts in 2008. As a result, this analysis also focuses on data from 2009-2011.

- 202 *Id.* The calculations divide the aggregate amount of the refundable credit by the number of claims of the refundable credit, and similarly, divide the aggregate amount of the nonrefundable credit by the number of claims of the nonrefundable credit. The DOR does not track claims of the credit by the income, number of children, or amount of child care expenses of the claimant, although by definition the refundable Parent Credit is only available to families with federal AGI of \$25,000 or less and the nonrefundable Parent Credit is only available to families with federal AGI of over \$25,000.
- 203 Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, *supra* note 197.
- 204 *Id.*
- 205 Louisiana does not track the number of children served by facilities participating in Quality Start, or the age of those children. See E-mail from Daisy Grotsma, Quality Start Manager, La. Dep't of Ed., to Amy Matsui, Nat'l Women's Law Ctr. (Apr. 28, 2014) (on file with the Nat'l Women's Law Ctr.).
- 206 Nat'l Women's Law Ctr. calculations based on CENSUS BUREAU, *supra* note 12. The calculations assume that "working families" are either single-parent households in which that parent is in the labor force, or two-parent households in which both parents are in the labor force.
- 207 La. Dep't of Revenue, *supra* note 100.
- 208 Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, *supra* note 100.
- 209 Nat'l Women's Law Ctr. calculations based on CENSUS BUREAU, *supra* note 12. The definition of income for the purposes of the Census Bureau's American Community Survey, upon which these calculations are based, is different from the definition of federal AGI used for the purposes of the Parent Credit. The American Community Survey definition of income used in this analysis includes wage and salary income, non-farm business income, Social Security income, public assistance income, Supplementary Security Income, interest, dividend, and rental income, and retirement income. See Integrated Pub. Use Database Series, Univ. of Minn., 2011 ACS HTML CODEBOOK (2014). In contrast, federal AGI includes farm income, but deducts certain expenses (such as educator expenses, certain business expenses, health savings account contributions, etc.). See I.R.S., 2011 Form 1040, lines 23-37, available at <http://www.irs.gov/pub/irs-prior/f1040-2011.pdf>.
- 210 La. Dep't of Revenue, *supra* note 100.
- 211 Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, *supra* note 100.
- 212 Nat'l Women's Law Ctr. calculations based on CENSUS BUREAU, *supra* note 12.
- 213 La. Dep't of Revenue, *supra* note 100.
- 214 Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, *supra* note 100.
- 215 Nat'l Women's Law Ctr. calculations based on CENSUS BUREAU, *supra* note 12.
- 216 Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, *supra* note 100.
- 217 Nat'l Women's Law Ctr. calculations based on CENSUS BUREAU, *supra* note 12.
- 218 Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, *supra* note 100.
- 219 LA. REV. STAT. ANN. § 47:6107(A)(1) (2013). The Business Supported Credit is available against "individual or corporation income tax or corporation franchise tax." *Id.* In Louisiana, yearly franchise taxes are paid at the same time, and on the same form, as corporate income taxes are paid for the previous year. See *Corporation Income and Franchise Taxes*, LA. DEP'T OF REVENUE, available at <http://www.rev.state.la.us/CorporationIncomeAndFranchiseTaxes>. Both for-profit and not-for-profit businesses may claim the credit. See LA. ADMIN. CODE tit. 61, pt. 1, § 1903(A)(2) (2014).
- 220 Louisiana provides that business expenses and charitable donations may be deducted from gross income. See LA. REV. STAT. ANN. §§ 47:62, :57(2) (2013). There is no explicit prohibition in the statute, or in the tax forms and instructions, against businesses that incur "eligible expenses" (such as payments for child care slots and child care subsidies for children of employees) both claiming the credit and claiming deductions for those expenses as business expenses, to the extent they are expenses that qualify as such. See LA. REV. STAT. ANN. §§ 47:6101-6109, :62 (2013) (defining "ordinary and necessary business expenses" as including "a reasonable allowance for salaries or other compensation"). There is also no explicit prohibition against businesses claiming both the credit and deductions for charitable contributions for funds provided to eligible non-profit child care centers for the construction or maintenance of child care facilities. See LA. REV. STAT. ANN. § 47:6107(A), :57(2) (2013) (allowing for deductions for contributions made to corporations "organized and operated exclusively for . . . educational purposes").
- 221 LA. REV. STAT. ANN. § 47:6102(7)(a)-(c) (2013). It does not appear that a child care center rated two or more stars could claim the Business Supported Credit for expenses it paid for improvements to its own facilities or child care services for its own employees. The statute refers to the donating entity by the term "business," but refers to the child care centers for which these expenses are paid by a different term: "child care facilities." § 47:6107(A)(1). The fact that the statute establishes two different terms for the payor of expenses and the beneficiary of those expenses indicates that the transaction is contemplated to be conducted between two different entities, particularly in the absence of language authorizing a business that is a child care center to claim the credit for its own expenses or child care services provided to its own employees. Finally, nothing in any of the promotional materials of the DOR or the DCFS suggests that the statute or regulations are being interpreted to allow a child care center to claim the Business Supported Credit for its own expenses that would otherwise qualify for the credit.
- 222 See §§ 47:6102(7)(a)-(c), :6107; see also Quality Start, *FAQs for Businesses*, LA. DEP'T OF CHILDREN & FAMILY SERVS., <http://qrs.louisiana.org/businesses/faqs> (last visited Mar. 11, 2015).
- 223 § 47:6107(A)(1).
- 224 *Id.*
- 225 See LA. DEP'T OF REVENUE, *supra* note 35.
- 226 See, e.g., Quality Start, *supra* note 222.
- 227 See, e.g., Sample Letter from Child Dev. & Early Learning Section, La. Dep't of Children and Family Servs. to Quality Start Child

- Care Providers (Dec. 16, 2011) (on file with Nat'l Women's Law Ctr.).
- 228 See, e.g., Sample Certificate of Star Rating and Average Numbers of Children Child Care Center School Readiness Tax Credit (SRTC) (Feb. 29, 2012) (on file with Nat'l Women's Law Ctr.).
- 229 See *School Readiness Tax Credit*, CHILDREN'S COALITION FOR NORTHEAST LA., <http://www.childrencoalition.org/school-readiness-tax-credits> (last visited Mar. 11, 2015).
- 230 LA. ADMIN. CODE tit. 61, pt. 1, § 1903(E)(1)(a) (2014). The tax instructions direct claimants to maintain "copies of cancelled checks and other documentation to support the amount of eligible expenses" incurred, but they do not direct claimants to include that documentation with their tax returns. La. Dep't of Revenue, Individual Instructions, *supra* note 167, 24 (instructions used if the business is owned by a sole proprietor or is a flow-through entity, such as a limited liability company or partnership, or S-Corporation); La. Dep't of Revenue, 2011 Louisiana Corp. Income & Franchise Tax Instructions 21 [hereinafter La. Dep't of Revenue, Corp. Instructions] (instructions used if the business is a non-profit or for-profit corporation).
- 231 See LA. REV. STAT. ANN. § 47:6108(B)(2)-(5) (2013); see also LA. DEP'T OF REVENUE, *supra* note 35. Refundable tax credits are allocated between partners or shareholders based on each partner or shareholder's percentage of ownership, and applied against their income tax and corporation franchise tax liability. LA. REV. STAT. ANN. § 47:6108(B)(3)-(5) (2013).
- 232 See LA. REV. STAT. ANN. § 47:6108(B)(1) (2013). Businesses that are not registered with the DOR because they are tax exempt must register and receive a Louisiana tax identification number in order to claim the credit. LA. DEP'T OF REVENUE, *supra* note 35.
- 233 La. Dep't of Revenue, Individual Return, *supra* note 98, Schedule F; La. Dep't of Revenue, Corp. Return, *supra* note 98, Schedule RC. The schedule, which must be attached to the tax return, is the same one used to claim the Provider Credit and the Director and Staff Credit. See *supra* notes 98, 128-29 and accompanying text. (The School Readiness Tax Credit provisions on the 2011 tax forms are identical to those provisions on the 2008-2010 Louisiana tax forms.)
- 234 La. Dep't of Revenue, Individual Return, *supra* note 98, Line 23; La. Dep't of Revenue, Corp. Return, *supra* note 98, Line 15A.
- 235 La. Dep't of Revenue, *supra* note 100.
- 236 *Id.*
- 237 Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, *supra* note 100.
- 238 La. Dep't of Revenue, *supra* note 100.
- 239 Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, *supra* note 100.
- 240 *Id.*
- 241 La. Dep't of Revenue, *supra* note 100.
- 242 Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, *supra* note 100.
- 243 *Id.*
- 244 La. Dep't of Revenue, *supra* note 100. Only resident businesses participated through 2011; no out-of-state businesses claimed the credit. *Id.*
- 245 *Id.* In 2009, 73 percent of the claims were on individual tax returns; in 2010, 67 percent were; and in 2011, 87 percent were. Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, *supra* note 100.
- 246 Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, *supra* note 100.
- 247 *Id.* The calculations divide the aggregate amount of the credit by the number of claims of the credit. The DOR does not track claims of the credit by the type or amount of expenses incurred by businesses, the funds received by individual child care facilities, or the star levels of the facilities that received the funds. See La. Dep't of Revenue, *supra* note 100.
- 248 See La. Dep't of Revenue, *supra* note 100.
- 249 The number of eligible child care facilities (those with star ratings of at least two stars) ranged from 73 in 2008 to 183 in 2009 to 340 in 2010 and to 460 in 2011. Nat'l Women's Law Ctr. calculations based on La. Dep't of Children & Family Servs., *supra* note 111.
- 250 La. Dep't of Revenue, *supra* note 100.
- 251 Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, *supra* note 100. Because the Business-Supported Credit is calculated as 5 percent of expenses incurred at two-star centers, if all the expenses had been incurred at two-star facilities, the amount of total expenses is calculated by multiplying the credit amount (\$30,396) by the inverse of 5 percent (or 20) for a total of \$607,920.
- 252 *Id.* Because the Business-Supported Credit is calculated as 20 percent of expenses incurred at five-star centers, if all the expenses had been incurred at five-star facilities, the amount of total expenses is calculated by multiplying the credit amount (\$30,396) by the inverse of 20 percent (or 5) for a total of \$151,980.
- 253 *Id.*
- 254 *Id.*
- 255 *Id.*
- 256 *Id.*
- 257 CENSUS BUREAU, U.S. DEP'T OF COMMERCE, STATISTICS OF U.S. BUSINESSES, NUMBER OF FIRMS, NUMBER OF ESTABLISHMENTS, EMPLOYMENT, AND ANNUAL PAYROLL BY ENTERPRISE EMPLOYMENT SIZE FOR THE UNITED STATES AND STATES, TOTALS: 2011, <http://www.census.gov/econ/susb/index.html>.
- 258 LA. REV. STAT. ANN. § 47:6107(A)(2) (2013). "Fees and grants" are not defined in the statute, but implementing regulations include "payments and donations" in addition to fees. LA. ADMIN. CODE tit. 61, pt. 1, § 1903(E)(2) (2014).
- 259 § 47:6107(A)(2).
- 260 See *id.* (stating that "[t]here shall be an additional refundable credit . . . for the payment by a business of fees and grants to resource and referral agencies"); see also LA. DEP'T OF REVENUE, *supra* note 35 (describing the Business-Supported Credit and stating that "[b]usinesses may also receive a tax credit for donations made to Child Care Resource and Referral Agencies."). If the R&R is part of a larger charitable organization, only the donations made to the R&R division of that organization qualify for the credit. LA. ADMIN. CODE tit. 61, pt. 1, § 1903(E)(2)(b) (2014). As is the case with the

- Business-Supported Credit, see *supra* note 35 and accompanying text, there is no explicit prohibition in the statute, or in the tax forms or instructions, against businesses claiming the R&R Credit for eligible expenses and claiming those expenses as charitable deductions, to the extent they are expenses that qualify as such. See LA. REV. STAT. ANN. § 47:6107(B), :57(2) (2013) (allowing for deductions for contributions made to corporations “organized and operated exclusively for . . . educational purposes”).
- 261 See § 47:6107(A)(2).
- 262 See *supra* note 83 and accompanying text.
- 263 See LA. DEP’T OF REVENUE, *supra* note 35.
- 264 See, e.g., Quality Start, *supra* note 222.
- 265 Telephone Interview with Gail Kelso, *supra* note 92.
- 266 See, e.g., Telephone Interview with Lynda Gavioli, Exec. Dir., Children’s Coalition of Northeastern La. (Sept. 13, 2012); Telephone Interview with Paula Granger, Program Dir., The First Three Years Res. & Referral Agency (Nov. 2, 2012); Telephone Interview with Gail Kelso, *supra* note 92.
- 267 See, e.g., *Louisiana School Readiness Tax Credit*, AGENDA FOR CHILDREN, <http://www.agendaforchildren.org/businesses.html> (last visited Mar. 11, 2015); *School Readiness Tax Credit*, CHILDREN’S COALITION FOR NORTHEAST LA., <http://www.childrenscoalition.org/school-readiness-tax-credits> (last visited Mar. 11, 2015); *School Readiness Tax Credit for Louisiana Businesses*, VOLUNTEERS OF AM. OF GREATER BATON ROUGE, <http://www.voagbr.org/Services/Child-Care-Resource-and-Referral/School-Readiness-Tax-Credit> (last visited Mar. 11, 2015).
- 268 Telephone Interview with Lynda Gavioli, *supra* note 266; Telephone Interview with Paula Granger, *supra* note 266.
- 269 Telephone Interview with Paula Granger, *supra* note 266.
- 270 LA. REV. STAT. ANN. § 47:6108(B)(2)-(5) (2013); see also LA. DEP’T OF REVENUE, *supra* note 35. Refundable tax credits are allocated between partners or shareholders based on each partner or shareholder’s percentage of ownership, and applied against their income tax and corporation franchise tax liability. LA. REV. STAT. ANN. § 47:6108(B)(3)-(5) (2013).
- 271 See LA. REV. STAT. ANN. § 47:6108(B)(1) (2013). Businesses that are not registered with the DOR because they are tax exempt must register in order to receive a Louisiana tax identification number to file and claim the credit. LA. DEP’T OF REVENUE, *supra* note 35.
- 272 La. Dep’t of Revenue, Individual Return, *supra* note 98, Schedule F; La. Dep’t of Revenue, Corp. Return, *supra* note 98, Schedule RC. The schedule, which must be attached to the tax return, is the same one used to claim the Business-Supported Credit, Provider Credit, and the Director and Staff Credit. See *supra* notes 98, 128, 233 and accompanying text. (The School Readiness Tax Credit provisions on the 2011 tax forms are identical to those provisions on the 2008-2010 Louisiana tax forms.) By regulation, businesses are required to provide the DOR with a receipt from the R&R, showing the amount of money the business donated or paid in fees. LA. ADMIN. CODE tit. 61, pt. 1, § 1903(E)(2)(a) (2014). However, the tax instructions do not direct businesses to attach these receipts to their tax returns (or maintain copies). See La. Dep’t of Revenue, Individual Return, Instructions, *supra* note 167, 24; La. Dep’t of Revenue, Corp. Instructions, *supra* note 230, 21.
- 273 La. Dep’t of Revenue, Individual Return, *supra* note 98, Line 23; La. Dep’t of Revenue, Corp. Return, *supra* note 98, Line 15A.
- 274 See La. Dep’t of Revenue, *supra* note 100.
- 275 *Id.*
- 276 La. Dep’t of Revenue, *supra* note 100.
- 277 Nat’l Women’s Law Ctr. calculations based on La. Dep’t of Revenue, *supra* note 100.
- 278 La. Dep’t of Revenue, *supra* note 100.
- 279 *Id.*
- 280 *Id.*
- 281 See La. Dep’t of Revenue, *supra* note 100.
- 282 *Id.*
- 283 Nat’l Women’s Law Ctr. calculations based on La. Dep’t of Revenue, *supra* note 100.
- 284 Telephone Interview with Lynda Gavioli, *supra* note 266; Telephone Interview with Paula Granger, *supra* note 266; Telephone Interview with Nancy Alexander, *supra* note 124.
- 285 Nat’l Women’s Law Ctr. calculations based on La. Dep’t of Revenue, *supra* note 100. The calculations divide the aggregate amount of the credit by the number of claims of the credit. The DOR does not track claims of the credit by the amount of fees or grants paid by individual businesses, the size of the business, or the funds received by individual R&Rs.
- 286 LA. REV. STAT. ANN. § 47:6107(A)(2) (2013).
- 287 La. Dep’t of Revenue, *supra* note 100.
- 288 Telephone Interview with Lynda Gavioli, *supra* note 266; Telephone Interview with Paula Granger, *supra* note 266; Telephone Interview with Nancy Alexander, *supra* note 124.
- 289 *2012 Donors*, CHILDREN’S COALITION OF NORTHEAST LA., http://www.childrenscoalition.org/index.php?option=com_content&view=article&id=51:2012-donors&catid=20:site-content (last visited Mar. 11, 2015).
- 290 See *id.* (stating that funds from the tax credits have been “re-invested locally into quality start child care centers, scholarships, seminars, technical assistance, and coaching to the early learning community”); see also *Get Smart GBR: School Readiness Tax Credit Program*, VOLUNTEERS OF AMERICA OF GREATER BATON ROUGE, <http://www.voagbr.org/Document-Vault/SRTC.pdf> (last visited Mar. 11, 2015) (stating that tax credit funds will be used for “[s]pecialized teacher training; [e]xpanded technical assistance and mentoring; [d]evelopmentally appropriate learning materials; [p]rofessional development conferences; [m]aterials for our teacher Resource Center; [i]mprovement grants.”).
- 291 See CENSUS BUREAU, *supra* note 257, and accompanying text.
- 292 La. Dep’t of Revenue, *supra* note 100.
- 293 *Id.*

- 294 *Id.*
- 295 *Id.*
- 296 *Id.* Claims of the Provider Credit represented 3 percent of total claims; claims of the R&R Credit represented about 2 percent of total claims; and claims of the Business-Supported Credit represented .5 percent of total claims. *Id.*
- 297 *Id.*
- 298 La. Dep't of Revenue, *supra* note 100.
- 299 *Id.*
- 300 Nat'l Women's Law Ctr. calculations based on La. Dep't of Revenue, *supra* note 100.
- 301 *Id.* Amounts claimed for the Parent Credit represented about 16 percent of the total amounts claimed; amounts claimed for the R&R Credit represented about 3 percent of the total amounts claimed; amounts claimed for the Business-Supported Credit represented about 2 percent of the total amounts claimed. *Id.*
- 302 Nat'l Women's Law Ctr. calculations based on La. Dep't of Children & Family Servs., *supra* note 111. In addition, as the number of centers participating in Quality Start increased, the number of licensed centers that did not participate in Quality Start decreased, from 1,269 in 2008 to 1,128 in 2009, to 973 in 2010, and then to 865 in 2011. La. Dep't of Children & Family Servs., *supra* note 111; KIDS COUNT DATA CENTER, *supra* note 40 (displaying number of licensed child care centers in Louisiana for 2008-2012). At the same time, the proportion of centers participating in Quality Start, among all licensed centers, almost doubled between 2008 and 2011, from 28 percent to 52 percent. *Id.* The Kids Count data include both centers with Class A licenses and those with Class B licenses. As discussed previously, a center must have a Class A license in order to receive a one-star rating in Quality Start. See *supra* note 40 and accompanying text. Accordingly, the proportion of centers participating in Quality Start among licensed centers eligible to participate in the program (that is, those with a Class A license) is likely higher than the proportion of centers participating in Quality Start among all licensed centers.
- 303 Nat'l Women's Law Ctr. calculations based on La. Dep't of Children & Family Servs., *supra* note 111.
- 304 *Id.*
- 305 *Id.*
- 306 *Id.*
- 307 *Id.*
- 308 *Id.*
- 309 *Id.* (from 73 of 484 Quality Start centers in 2008 to 460 of 924 Quality Start centers in 2011).
- 310 *Id.* (from 61 of 484 Quality Start centers in 2008 to 330 of 924 Quality Start centers in 2011).
- 311 *Id.* (from 4 of 484 Quality Start centers in 2008 to 45 of 924 Quality Start centers in 2011).
- 312 *Id.* (from 7 of 484 Quality Start centers in 2008 to 78 of 924 Quality Start centers in 2011).
- 313 *Id.* (from 1 of 484 Quality Start centers in 2009 to 7 of 924 Quality Start centers in 2011).
- 314 These credits are the Provider Credit, the Director and Staff Credit, the Parent Credit, and the Business-Supported Credit. See *supra* notes 14, 20, 25, 29 and accompanying text.
- 315 These credits are the Provider Credit, the Parent Credit, and the Business-Supported Credit. See *supra* notes 14, 25, 29 and accompanying text.
- 316 These credits are the Provider Credit, the Parent Credit, and the Business-Supported Credit. See *supra* notes 14, 25, 29 and accompanying text.
- 317 Nat'l Women's Law Ctr. calculations based on La. Pathways Child Care Career Dev. Sys., *supra* note 138.
- 318 Nat'l Women's Law Ctr. calculations based on E-mail from Penny Haire, Career Dev. Coordinator, La. Pathways Child Care Career Dev. Sys., to Amy Matsui, Nat'l Women's Law Ctr. (Aug. 19, 2013) (2007 numbers) and La. Pathways Child Care Career Dev. Sys., *supra* note 138 (2008 numbers).
- 319 Nat'l Women's Law Ctr. calculations based on La. Pathways Child Care Career Dev. Sys., *supra* note 138.
- 320 *Id.*
- 321 *Id.*
- 322 *Id.*
- 323 *Id.*
- 324 *Id.* (from 116 of 1,247 in 2008 to 501 of 4,223 in 2011).
- 325 *Id.* (from 151 of 1,247 in 2008 to 1,031 of 4,223 in 2011).
- 326 *Id.* (from 17 of 1,247 in 2008 to 71 of 4,223 in 2011).
- 327 Nat'l Women's Law Ctr. calculations based on La. Pathways Child Care Career Dev. Sys., *supra* note 52.
- 328 See La. Pathways Child Care Career Dev. Sys., *supra* note 52.
- 329 Nat'l Women's Law Ctr. calculations based on E-mail from Penny Haire, *supra* note 56; La. Pathways Child Care Career Dev. Sys., *supra* note 52.
- 330 E-mail from Penny Haire, *supra* note 56; see also Telephone Interview with Jenny Cowan, *supra* note 62.
- 331 Telephone Interview with Jenny Cowan, Scholarship Director, La. Pathways Child Care Career Dev. Sys. (Dec. 14, 2012); Telephone Interview with Nancy Alexander, *supra* note 124; La. Pathways Child Care Career Dev. Sys., *supra* note 52 (stating that scholarships in four-year colleges increased from a total of 261 between 2003 and 2006 to 115 in 2007 and 224 in 2008; scholarships in two-year community colleges and Louisiana Technical College scholarships increased from a total of 81 between 2003 and 2006 to 268 in 2007 and 460 in 2008.).
- 332 Telephone Interview with Nancy Alexander, *supra* note 124; La. Pathways Child Care Career Dev. Sys., CDAs By Year 2008-2011 (Feb. 4, 2013) (on file with the Nat'l Women's Law Ctr.). Infant and toddler and preschool CDAs increased from 177 in 2008 to 366 in 2011, with a peak of 410 in 2010. *Id.*

- 333 Telephone Interview with Nancy Alexander, *supra* note 124.
- 334 See *supra* note 104 and accompanying text.
- 335 OFFICE OF CHILD CARE, U.S. DEP'T OF HEALTH & HUMAN SERVS., CHILD CARE & DEVELOPMENT FUND STATISTICS, FY 2008 FINAL DATA TABLES Tbl. 1, Average Monthly Adjusted Number of Families and Children Served (2010), available at http://www.acf.hhs.gov/sites/default/files/occ/2008_final.pdf.
- 336 See OFFICE OF CHILD CARE, *supra* note 73.
- 337 Nat'l Women's Law Ctr. calculations based on La. Dept. of Children & Family Servs., Licensed Providers All Payments and Children Nov. 2008, Nov. 2009, Nov. 2010, Nov. 2011 (Oct. 7, 2013) (on file with Nat'l Women's Law Ctr.) (showing decrease from 30,541 in November 2008 to 21,855 in November 2011). The DCFS provided the data for specific months, rather than as an annualized average. Accordingly, the year-to-year comparisons are based on data for a specific month, November, each year. The number of children in foster care was significantly smaller than the number of children receiving CCAP subsidies; for example, in 2011, children in foster care were only 4 percent of the total number of children receiving CCAP or foster care services enrolled in child care centers. *Id.*
- 338 *Id.* Although the overall number of children under age six receiving CCAP subsidies and foster care services at centers with quality ratings of two or more stars increased between 2008 and 2011, the number did not increase at each of these star levels over this period. The number of such children enrolled in centers with two stars declined from 5,951 in 2008 to 5,776 in 2011; the number of such children enrolled in centers with three stars declined from 1,517 in 2008 to 1,433 in 2011; the number of such children enrolled in centers with four stars increased from 1,663 in 2008 to 2,079 in 2011; and the number of such children enrolled in centers with five stars decreased from 160 in 2008 to 130 in 2011. *Id.* Because the data provided by DCFS were only for children under age six, the total number of children receiving CCAP subsidies or foster care services who were enrolled in centers with quality ratings of two or more stars likely increased by a greater amount.
- 339 *Id.* (showing 16,387 of 30,541 children in November 2008 and 14,730 of 21,855 children in November 2011).
- 340 *Id.* (showing 9,291 of 30,541 children in November 2008 and 9,418 of 21,855 children in November 2011). Percentages may differ in chart due to rounding.
- 341 *Id.* (showing 5,951 of 30,541 children in November 2008 and 5,776 of 21,855 children in November 2011).
- 342 *Id.* (showing 1,517 of 30,541 children in November 2008 and 1,433 of 21,855 children in November 2011).
- 343 *Id.* (showing 1,663 of 30,541 children in November 2008 and 2,079 of 21,855 children in November 2011).
- 344 *Id.* (showing 160 of 30,541 children in November 2008 and 130 of 21,855 children in November 2011).
- 345 *Id.* (showing 14,154 of 30,541 children in November 2008 and 7,125 of 21,855 children in November 2011).
- 346 *Id.* (showing 7,096 of 30,541 children in November 2008 and 5,312 of 21,855 children in November 2011).
- 347 These credits are the Provider Credit, the Parent Credit, and the Business-Supported Credit. See *supra* notes 14, 25, 29 and accompanying text.
- 348 See *supra* notes 10-11 and accompanying text.
- 349 See *supra* notes 209-218 and accompanying text.
- 350 See, e.g., Telephone Interview with Gail Kelso, *supra* note 92 (stating that some providers have used the credits to encourage parents to enroll); Telephone Interview with Jenny Cowan, *supra* note 62 (stating that the credits provide an incentive to get more education and training); Telephone Interview with Lynda Gavioli, *supra* note 266 (stating that the Children's Coalition of Northeastern Louisiana has had success soliciting donations from businesses based on the R&R Credit); *Tax expenditures related to the individual income tax: Hearing before the Revenue Study Comm'n of the Louisiana H.R.* (Oct. 12, 2012) (statement of Melanie Bronfin, Policy Dir., La. Partnership for Children & Families), available at http://house.louisiana.gov/H_Video/2012/Oct2012.htm (stating "the credits have incentivized and supported centers to move up the stars").
- 351 See, e.g., Telephone Interview with Gail Kelso, *supra* note 92 (stating "though [the Parent Credit is] small, there's something for parents to increase their awareness about quality child care").
- 352 Telephone Interview with Nancy Alexander, *supra* note 124; *Tax expenditures related to the individual income tax: Hearing before the Revenue Study Comm'n of the Louisiana H.R.* (Oct. 12, 2012) (statement of Lois Jordan, Dir., The Prep Center, Inc.) available at http://house.louisiana.gov/H_Video/2012/Oct2012.htm; *Tax expenditures related to the individual income tax: Hearing before the Revenue Study Comm'n of the Louisiana H.R.* (Oct. 12, 2012) (statement of Wyatt Graves, President, Childcare Ass'n of La.), available at http://house.louisiana.gov/H_Video/2012/Oct2012.htm; *Tax expenditures related to the individual income tax: Hearing before the Revenue Study Comm'n of the Louisiana H.R.* (Oct. 12, 2012) (statement of Kristy Gibbons, child care provider in New Orleans) available at http://house.louisiana.gov/H_Video/2012/Oct2012.htm; Telephone Interview with Lynda Gavioli, *supra* note 266; E-mail from Wendy Wooley, Office Manager, Claiborne Christian Preschool, to Helen Blank, Nat'l Women's Law Ctr. (Oct. 1, 2012) (on file with the Nat'l Women's Law Ctr.) (stating that the Provider Credit has allowed child care providers to provide toys and learning materials, "improvements to the classrooms, training and resource materials for our teachers.").
- 353 Telephone Interview with Lynda Gavioli, *supra* note 266; Telephone Interview with Paula Granger, Program Dir., First Years Child Care Resource & Referral Agency (Nov. 2, 2012); *Tax expenditures related to the individual income tax: Hearing before the Revenue Study Comm'n of the Louisiana H.R.* (Oct. 12, 2012) (statement of Lois Jordan, Dir., The Prep Center), available at http://house.louisiana.gov/H_Video/2012/Oct2012.htm.
- 354 See BUREAU OF LABOR STATISTICS, *supra* note 136 and accompanying text.
- 355 See *supra* note 137 and accompanying text.
- 356 See BUREAU OF LABOR STATISTICS, *supra* note 136.
- 357 See Nat'l Women's Law Ctr. calculations based on La. Dept. of Children & Family Servs., *supra* note 111 and accompanying text.

358 For example, Louisiana reduced its income eligibility limit for CCAP assistance, effective August 2012, from 65 percent of 2011 state median income, to 55 percent of 2011 state median income. See *supra* note 70. As a result, the number of children receiving CCAP assistance dropped to 28,700 in 2012 and 24,000 in 2013. See OFFICE OF CHILD CARE, U.S. DEP'T OF HEALTH & HUMAN SERVS., CHILD CARE & DEVELOPMENT FUND STATISTICS Tbl. 1, FY 2012 Average Monthly Adjusted Number of Families and Children Served (2014), available at <http://www.acf.hhs.gov/programs/occ/resource/fy-2012-ccdf-data-tables-final-table-1> (providing 2012 data) and OFFICE OF CHILD CARE, U.S. DEP'T OF HEALTH & HUMAN SERVS., CHILD CARE & DEVELOPMENT FUND STATISTICS PRELIMINARY DATA Tbl. 1, FY 2013 Average Monthly Adjusted Number of Families and Children Served (2014), available at <http://www.acf.hhs.gov/programs/occ/resource/fy-2013-ccdf-data-tables-preliminary-table-1> (providing preliminary 2013 data).



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