

Implementation & Budget Details

2018 Wisconsin Governor's ECAC Recommendation

Recommendation Title/Name:

Early Education Workforce Tax Credit

Recommendation:

For a strong Wisconsin workforce, we need to increase the labor market pool. Early education is the most effective way to achieve this. When access to stable, high-quality early education increases, more of Wisconsin's talent can join the workforce. Access to early education increases by growing a stable, qualified workforce of early educators. A refundable tax credit for the early education workforce can incentivize early educators to stay in the field.

Implementation Details:

The ECE workforce in Wisconsin encompasses approximately 22,100 early educators, with approximately 52% of the workforce having an Associate degree or higher (Wisconsin's Child Care Workforce, 2016). Additionally, 3,796 programs are participating in YoungStar, Wisconsin's Child Care Quality Rating & Improvement System. Early educators and early education programs have made a clear commitment to quality improvement, yet a teacher with an Associate Degree in Early Childhood Education typically makes between \$10 and \$13 per hour, nearly \$6 per hour less than workers in other industries who have an associate degree.

A refundable tax credit that goes directly to early educators would support increased compensation for and retention of early educators. Reducing the turnover of early education is critical. Turnover currently stands at a rate of 36%, which negatively impacts child outcomes, as continuity in the relationship between child and educator is pivotal to early learning and development.

The refundable nature of the tax credit is pivotal, as it goes beyond an individual's current tax liability meaning it can increase the take home pay of early educators. The proposed refundable tax credit is structured to incentivize early educators to enter the field, increase their educational qualifications, work in higher quality early education programs and stay with those programs. According to strategic criteria, 6,138 early educators would currently be eligible for the refundable tax credit. Eligibility for the tax credit will require:

- A Registry Career Level 12 or higher, which requires an Associate Degree in Early Education or an established equivalent. See The Registry Career Levels for more information: http://www.the-registry.org/Portals/0/Career_Levels.pdf
- Employment in a 3, 4 or 5 Star program through YoungStar
- Employment in their program for a year or longer

A systematic verification process will ensure only those eligible for the Early Education Workforce Tax Credit receive it. The following steps outline thorough verification across multiple sources:

1. With the end of the tax year, each early education program rated 3, 4 or 5 Stars will be prompted through their Registry Program Profile to confirm employment for full-time staff during the year period.

2. The Registry will assemble a list of eligible early educators based on their Registry Career Level, length of time employed within their program, and their program’s rating.
 - a. Career Levels are based upon credit-based education earned by an individual and are independently verified by staff of The Registry based upon official transcripts.
 - b. For employees, length of time employed will be verified by the employer through the existing Program Profiles utilized in YoungStar. Program profiles are created by Program Directors. YoungStar Technical Consultants verify information while onsite during the program’s YoungStar service window. For individual family providers, this will be verified by the length of time their program has been regulated via the Department of Children and Families’ data system, WISCCRS.
 - c. The rating of the employing early education program as of the last day of the tax year will be verified via the Department of Children and Families’ YoungStar Case Management System.

3. The Department of Children and Families will review the list of eligible early educators. Upon approval, the list of eligible early educators will be provided to the Department of Revenue by January 30, which mirrors the deadline for W-2s. The Department of Children and Families and the Department of Revenue will agree to a method and format to share identifying information and data of credit recipients in order to maintain confidentiality.

4. The Registry will issue an electronic letter of verification accompanied by a security certificate to the eligible early educators through their Registry account. This will be submitted by the early educator with their annual tax return.

5. Upon receipt of the annual tax return, the Department of Revenue will cross check verification letters with the eligibility list. The Department of Revenue will also be able to cross-check employment records based on an employee’s W-2 as needed.

Financial Commitment:

The Early Education Workforce Tax Credit is structured to incentivize qualified early educators to stay in early education. To do so, the tax credit is structured into three tiers based on qualifications that are tied to credit-based education. The following chart outlines the current number of eligible providers at each tier, the refundable tax credit amount by Career Level and the total financial estimate based on these estimates.

	Proposed Tax Credit Tiers	
Career Level 12 <i>(2,785 Early Educators)</i>	\$2,000 credit	\$ 5,570,000
Career Level 13 <i>(579 Early Educators)</i>	\$3,000 credit	\$ 1,737,000
Career Level 14 & Above <i>(2,774 Early Educators)</i>	\$4,000 credit	\$ 11,096,000
Total <i>(6,138 Early Educators)</i>		\$ 18,403,000

The impact of the Early Education Workforce Tax Credit would be substantial for these hardworking individuals, with total take home pay increasing from between 9.6% and 19.2% depending on the education qualifications and current wage of the early educator.

	Approximate Median Starting Wage	Proposed Credit	Percent Increase to Compensation	Hourly Wage Increase
Career Level 12	\$10	\$2,000 credit	9.6%	\$0.96
Career Level 13	\$11	\$3,000 credit	14.4%	\$1.44
Career Level 14 & Above	\$12	\$4,000 credit	19.2%	\$1.92

To administer the tax credit, an initial expenditure to refine systems utilized by The Registry to verify employment will be required. The Registry will have low administrative costs for the ongoing implementation to verify and generate the list of eligible early educators. The Department of Revenue will need to create a new form and make additional changes to other forms where credits are claimed. In addition, system programming will need to be completed to allow for tracking of the credit verifications and processing the credits on returns. The administrative costs are unknown at this time. The Department of Revenue has been able to absorb the cost of new credits in the past and would likely do so with this credit unless costs prove to be excessive.

	Year 1	Year 2
Refundable Tax Credit	\$18,403,000	\$18,403,000
Registry Verification Process	\$20,000	\$20,000
Initial Registry Preparation	\$55,000	-
Department of Revenue Administration	-	-
Total	\$18,478,000	\$18,423,000

The Early Education Workforce Tax Credit would require an appropriation in Chapter 20. Based upon the experience of implementation in other states, the refunded portion of the tax credit could potentially be applied to the required state match for the Child Care Development Block Grant.