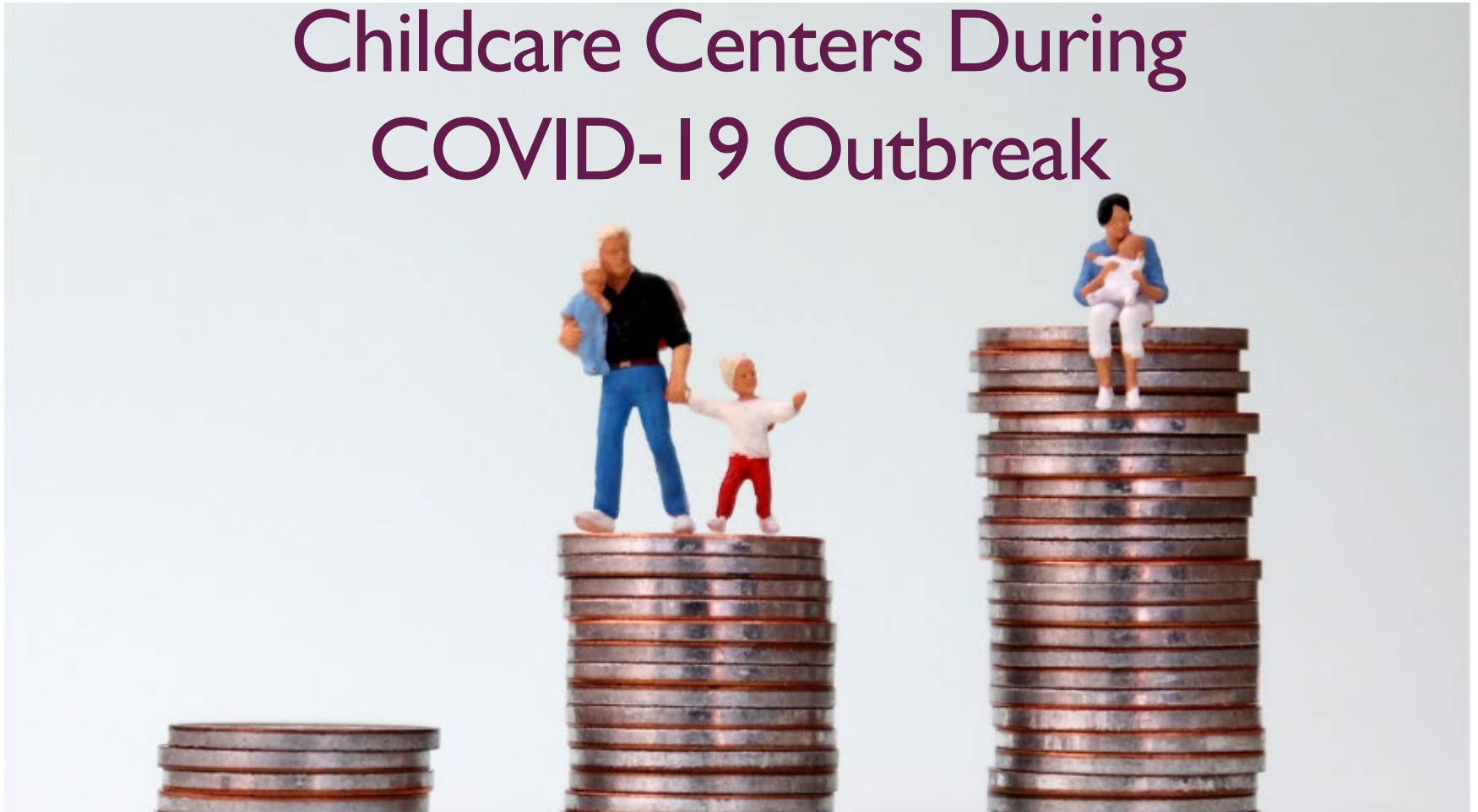


# Ideas for Increasing Capital to Childcare Centers During COVID-19 Outbreak



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# ABOUT



INSTITUTE *for* CHILD SUCCESS

The Institute for Child Success (ICS) is an independent, nonpartisan, nonprofit research, policy and planning organization dedicated to the success of all young children.

## 4 areas of focus:

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- ✓ Propose and implement savvy research-based policies
- ✓ Advise governments, nonprofits, foundations & other stakeholders on strategy
- ✓ Facilitate knowledge sharing & ideation
- ✓ Accelerate impact through solution building

# SC Quick Facts & Childcare Survey



## SC Quick Facts

- ✓ 290,000 children <5
- ✓ ~200,000 of those live in households where all guardians worked
- ✓ Avg salary of childcare professional: \$21,000
- ✓ ~22,500 families received childcare assistance

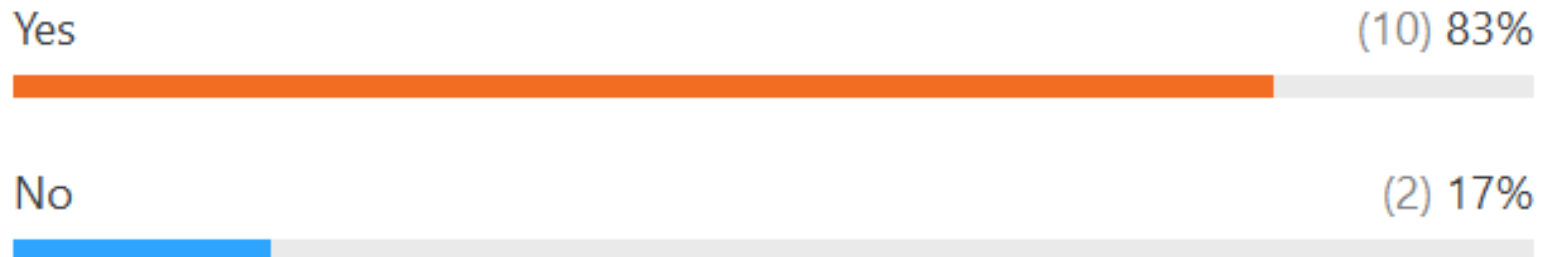
## Childcare Survey

- ✓ 1/3 of centers cannot weather closure of any kind
- ✓ 48% of centers closed
- ✓ Overall sector serves 33% of all enrollment
- ✓ Average financial loss per center, \$50k



# Poll #1

**1. These findings were from April. Do they still represent your observations and experience in the field two months later?**



# The Issue: Capital & the Economy

- ❑ Without capital, the childcare sector cannot function
  - ✓ Cannot hire/re-hire workers
  - ✓ Cannot purchase additional items (PPE) to meet DHEC standards
  - ✓ Have no financial incentive to reopen
  
- ❑ Without childcare, the economy cannot function at capacity
  - ✓ "Re-opening" the economy will fall short
  - ✓ Government costs will rise (unemployment, SNAP, Medicaid, etc.)
  
- ❑ **Goal: find ways of putting capital in hands of workers with children, OR directly to childcare sector**

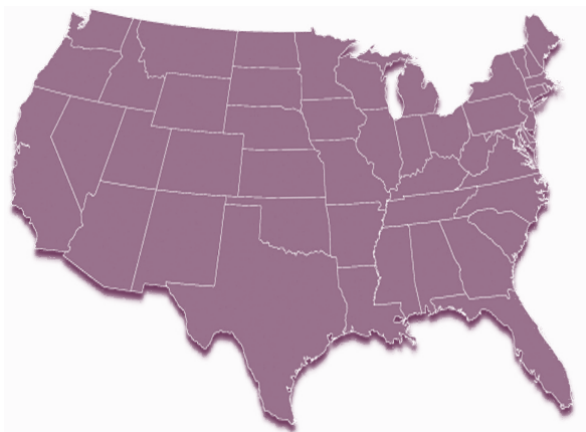
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# Individual Family Solutions

# CDCTC

- ❑ **Make the Federal Child & Dependent Care Tax Credit (CDCTC) fully refundable for a period of time**



- ✓ Nonrefundable (only impacts amount owed)
- ✓ Currently, 20%-35% of costs up to \$3k per dependent or \$6k for 2+ dependents
- ✓ Only applies to children up to 13 and/or dependents physically/mentally incapable to self-care

# CDCTC Potential

	Current	Fed, 100%
Family (1 child) earns:	\$43,000 annually*	\$43,000 annually
Total annual childcare costs:	\$6,300**	\$6,300
CDCTC	\$1,200^	\$6,300
Net		<b>+\$5,100</b>

\* maximum income threshold

\*\* approx. avg. SC childcare cost

^20% would equal \$1,260, but cap is \$1,200





# SC CDCTC

## □ Increase SC CDCTC for a period

- ✓ All South Carolina taxpayers who qualify for the federal credit are automatically eligible, **except for** spouses filing separately.
- ✓ 7% of child care expenses eligible for the federal CDCTC.  
I.e., If you claimed \$3000 on Federal, you would get \$210.



# CDCTC Potential

	Current	Fed, no change; SC, 50%	Fed, 100%; SC, 7%	Fed, 100%; SC 50%
Family (1 child) earns:	\$43,000	\$43,000	\$43,000	\$43,000
Total annual childcare costs:	\$6,300**	\$6,300	\$6,300	\$6,300
CDCTC	\$1,200^	\$1,200^	\$6,300	\$6,300
SC CDCTC	\$84	\$600	\$441	\$3,150
Net	<b>\$1,284</b>	<b>\$1,800</b>	<b>\$6,741</b>	<b>\$9,450</b>

\* maximum income threshold

\*\* approx. avg. SC childcare cost

^20% would equal \$1,260, but cap is \$1,200



# Benefits of Increased CDCTC



- ✓ Offers financial incentive for parents to use childcare
- ✓ Helps parents get back to work/improves economy
- ✓ Increases enrollment in centers
- ✓ Child development stabilizes

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# SC Child Care Program Credit

- ❑ Currently, businesses receive a non-refundable tax credit to provide child care for their employees at their site or at a site of their choice.

They receive:

- ✓ 50% startup costs back in initial year
  - ✓ After starting operation, they get the lesser of 50% their operating expenses OR \$3000 per employee benefiting
  - ✓ If employees use it for off-site, it is only allowable for non-profit centers
- ❑ **Expand this credit to:**
    - ✓ Be refundable
    - ✓ Include Qualitative Information Reporting System (QIRS) enrolled centers
    - ✓ This is effectively employers buying "employee insurance"

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# CDCTC Potential

	Current	Fed, no change; SC, 50%	Fed, 100%; SC, 7%	Fed, 100%; SC 50%
Family (1 child) earns:	\$43,000	\$43,000	\$43,000	\$43,000
Total annual childcare costs:	\$6,300**	\$6,300	\$6,300	\$6,300
SC Program Credit	\$3,000	\$3,000	\$3,000	\$3,000
CDCTC	\$660^	\$660^	\$3,300	\$3,300
SC CDCTC	\$84	\$300	\$231	\$1,650
Net	<b>\$3,744</b>	<b>\$3,960</b>	<b>\$6,531</b>	<b>\$7,950</b>

\* maximum income threshold

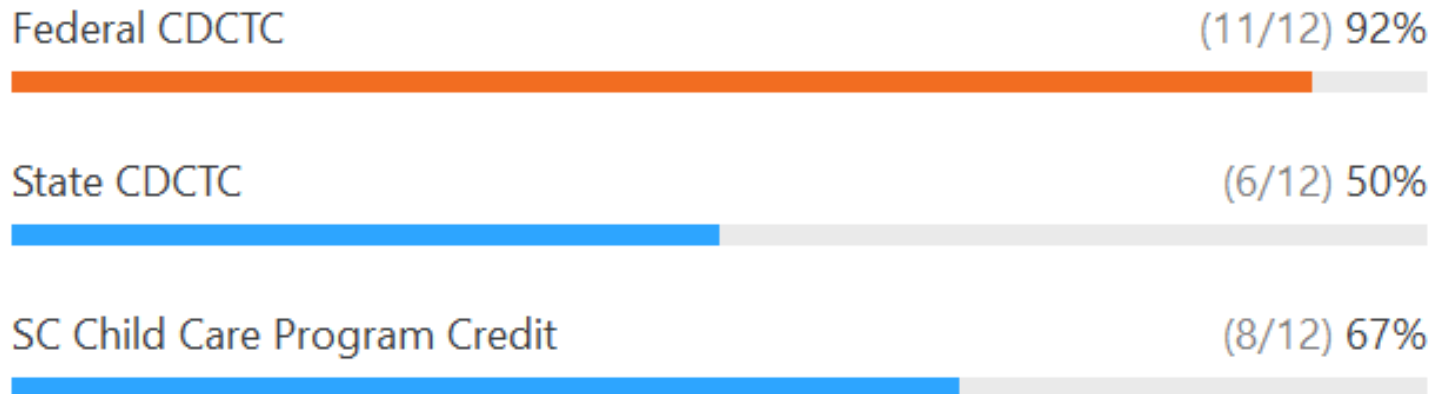
\*\* approx. avg. SC childcare cost

^20% would equal \$1,260, but cap is \$1,200



# Poll #2

**1. Please choose all that apply, in order of most impactful. Your first choice should have the biggest impact and subsequent choices less impactful. (Multiple choice)**





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# Childcare Sector Solutions

# CDTC & Angel Investor Credit

## ❑ **Community Development Tax Credit (CDTC)**

- ✓ For taxpayers who invest in qualifying "community development corporations" or financial institutions
- ✓ 33% credit of equity investments
- ✓ 50% of qualifying donations
- ✓ Must be authorized by Department of Commerce

## ❑ **Angel Investor Credit**

- ✓ For angel investors who invest in qualified businesses that have been certified by the Secretary of State
- ✓ 35% credit of equity investments
- ✓ Cannot exceed \$100k
- ✓ Must be approved by Department of Revenue





# CDTC & Angel Investor Credit

- ❑ **Expand both credits to include childcare centers**
  
- ❑ **Benefits to centers:**
  - ✓ Incentivizes investment and donations into childcare centers
  - ✓ Childcare centers receive much needed capital
  - ✓ Income sources are diversified
  
- ❑ **Benefits to investors/donators:**
  - ✓ Diversification of portfolio in foundational needed economic sector that is needed in perpetuity
  - ✓ Investment into a sector whose market is projected to grow rapidly
  - ✓ Investment into a sector that does not currently meet demand



# Loan Forgiveness

## ❑ **Expand Loan Forgiveness Program for childcare workers**

- ✓ Program was created to attract and retain more highly trained individuals in the early childcare profession
- ✓ Borrowers who meet the criteria for this program can have 20 percent of their total loans forgiven after two years of service
- ✓ An additional 20 percent is forgiven after a borrower completes a third consecutive year of qualifying service
- ✓ Amount rises to an additional 30 percent after each of the fourth and fifth consecutive years of service



# Private Public Partnership

- ❑ **Combine interests of three stakeholders: philanthropy, banks and childcare sector**
  - ✓ Banks put up low-interest loans (<4%) for childcare centers
  - ✓ Philanthropies (foundations, United Ways, other funders) co-sign loans with childcare centers and use their large endowments as collateral
  - ✓ Childcare centers make payments in earnest, but also work out agreement with philanthropies



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# Poll #3

**1. Please indicate all that apply, from the biggest impact to the smallest. (Multiple Choice)**

Community Development Tax Credit (11/13) 85%



Angel Investor Credit (9/13) 69%



Loan Forgiveness (11/13) 85%



Private Public Partnership (11/13) 85%





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# Questions

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