



Governor Parson's Early Childhood Investments

Fiscal Year 2024

Early Childhood Education Expansion

Current state foundation formula aid in public schools and charter schools is limited to children who qualify for free and reduced price lunch, capped at four percent of the total number of K-12 children that qualify for free and reduced price lunch, and qualified by the overall average daily attendance of the district.

While universal, voluntary access to early childhood education for all children – regardless of income – is the ultimate public policy goal, increasing state aid for children in greatest financial need is expected to have a positive impact for all Missouri children. Increasing access to state aid for the pre-k costs of those in greatest need will inevitably lead to greater access for all children by increasing classroom capacity, reducing program costs for schools, and allowing dedicated local funding for early childhood education to be reallocated to support additional children not already supported by the state.

This proposal is expected to provide early childhood education access to at least 17,000 more children across the state for annual cost of approximately \$124 million, after subtracting out the current appropriation for pre-k in the foundation formula.

Governor Parson's recommended budget modifies the current state aid formula for early childhood education programs in public schools and charter schools by separating early childhood education program funding out from the foundation formula and expanding state aid to all four year olds that are eligible for free and reduced lunch.



Missouri Department of
Economic Development

Child Care Subsidy Rates

Child care subsidy rates were updated in mid-2022 to reflect the most recent market rate study, while also staying within the appropriation authority of the Fiscal Year 2023 budget. Those rates reflect the 25th percentile for infants, 22nd percentile for preschoolers, and 21st percentile for school-aged children. Prior to the 2022 update, most rates reflected the 58th percentile of the market rate in Missouri.

- The current rates cost approximately \$175 million.
- To increase rates to the 58th percentile of the market (the previous benchmark in Missouri), the total annual cost is estimated at \$253.9 million (an estimated increase of \$78.5 million).

Governor Parson's recommended budget increases child care subsidy rates to the 58th percentile of the 2022 market rate study. Future investments will be targeted at continuing to increase child care subsidy rates towards the full market rate.

Child Care Tax Credit Programs

In order to incentivize cost share participation and financial support from employers and mitigate ongoing costs for child care providers, three new state tax credit programs are being proposed:

Child Care Contribution Tax Credit

- A tax credit for corporations, charitable organizations, individuals, and partnerships with state income tax for up to 75% of a verified contribution to a licensed child care facility to promote child care, including for the acquisition or improvement of facilities, equipment, or services, including the improvement of staff salaries, training, or the quality of child care.
- Capped at \$200,000 per taxpayer with a minimum contribution of \$100 per taxpayer.
- Overall program is capped at \$20 million per calendar year.

Employer-Provided Child Care Assistance Tax Credit

- A tax credit for employers' eligible child care assistance expenditures. The tax credit is for up to 30% of child care expenditures.
- Capped at \$200,000 per taxpayer and the overall program is capped at \$20 million per calendar year.

Child Care Providers Tax Credit

- A tax credit for child care providers for:
 - Eligible payroll tax withholdings for employees that work at least 10 hours a week for at least a 3 month period (provider must have a minimum of three employees); and
 - Up to 30% of eligible capital improvements to their child care facility.
- Capped at \$200,000 per taxpayer and the overall program is capped at \$20 million per calendar year.

Governor Parson is proposing three new state child care tax credit programs.