

Early Childhood Education Tax Credit Proposal

Fix the Gap

Over the last 70 years, East Side Neighborhood Services, through its Northeast Child Development Center, has provided quality early childhood education to families who represent the demographics of nearby North, Northeast and Southeast Minneapolis neighborhoods.

But during the last decade we have seen a widening gap in the types of families we are able to serve. Currently our enrollment is 10% low income, highly subsidized families; the remaining 90% are those who can afford the full market rate for early childhood education.

What has happened to the families in the middle?

- Many hardworking families who don't qualify for subsidies inquire and want to use our program. Right now, they just can't afford to do so.
- Many middle-income families who enroll are forced to drop out of the program when they have a second child.



Statewide, low to middle income families are left out of the current support matrix.

The income range of where the gap begins to hit families is \$21,900 for a family of two - \$55,800 for a family of five. Families with more than one child under the age of five are particularly hard hit.

Our Proposal

Since there are measures and resources in place for families under the poverty line (MFIP, CCAP Scholarships) we propose an increase in the Minnesota Dependent Care Tax Credit to cover early childhood education costs for low to middle income parents for children-birth through preschool. The following are our key recommendations:

- **Increase the Dependent Care Credit for child care expenses from the amount the taxpayer is eligible for under federal law to 2.5 times the amount the taxpayer is eligible under federal law.**

This would cover, on average, 30% of the annual cost of child care. Parents that have children in early childhood programs that meet the criteria in the bill would qualify for the credit.

Anticipated Outcomes:

- **Anti-poverty research shows that tax credit policies work.** The Earned Income Tax Credit and the Child & Dependent Care Credit lead to sustained employment and higher earnings, reduction in second generation poverty, improved education outcomes and reduction in teen pregnancy.
- **Research on education disparities reinforces these anti-poverty tax policies** by demonstrating that racially and economically integrated early learning environments lead to higher achievement, social inclusion and increased vocabulary.

An Early Childhood Education Tax Credit would decrease educational disparities and diversify early childhood education programs throughout the state of Minnesota – a great return on investment. Mixed delivery systems have found community-based early education settings efficient and effective. Through this bill, Minnesota could become known for as innovative and supportive environment for mixed income, intercultural preschools, instead of one of the states with the worst educational disparities in the nation.

About East Side Neighborhood Services

Every person thrives, every voice matters. That is the vision of East Side Neighborhood Service, a 501c3 nonprofit, has served Northeast Minneapolis and adjacent neighborhoods for over a century. Its mission is *to build pathways toward equity by disrupting social and economic barriers.*

About the Northeast Child Development Center

The Northeast Child Development Center (NECDC) at East Side Neighborhood Services offers quality early childhood education in preparation for kindergarten for children 6 weeks to 5 years old. We provide early childhood education and childcare to families from all income levels in a developmentally appropriate, multicultural, literacy-rich environment. NECDC features an accessible, intergenerational space; a nature-based play yard; and a new STEAM (Science Technology Education Arts and Mathematics) curriculum.

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