

**June 5, 2025**

## **Valdez Child Care Initiative: Project Status Updates**

### **Task 1: Sustainable Child Care Workforce in Valdez**

The primary objective is to establish a sustainable and qualified child care workforce by determining appropriate compensation, benefits, and incentives. Efforts have concentrated on supporting new providers through the licensing process. Sugar Bear Daycare continues progressing toward licensure, and the Valdez Church of the Nazarene has submitted a state licensing application for a group home accommodating up to 12 children. Assistance with licensing documentation is ongoing, and a funding request for start-up support is anticipated.

Recent statewide research underscores what we are seeing locally: low wages are the biggest threat to sustaining a qualified child care workforce. According to the 2025 Alaska Workforce Career Needs Assessment (MRG), early childhood educators in Alaska earn an average of \$14 per hour, placing them among the lowest-paid workers in the state. These low wages are a top contributor to turnover and staffing shortages across the state. The 2024 True Cost of Child Care report (MRG) also highlights the significant gap between the cost of providing care and what parents can afford, further limiting providers' ability to offer competitive wages.

In this context, the operating grant program developed by the City of Valdez is the most effective strategy available to stabilize the workforce. By providing a monthly per-child stipend to licensed providers, the grants give programs the flexibility to increase staff wages, addressing the root cause of workforce instability. Sustaining this funding beyond the life of the INNOVATION grant is critical. Without it, providers will struggle to retain qualified staff, and Valdez will likely continue to face service gaps. This aligns with findings from the recently released 2025 Valdez Business Climate Report, which shows that 67% of employers link insufficient childcare directly to workforce retention and hiring difficulties.

Next steps include continued collaboration with Prince William Sound College to advance longer-term recruitment strategies and evaluate the Task Force's recommendations.

### **Task 2: Sustainable Child Care Funding in Valdez:**

The goal is to create a long-term funding source to ensure the sustainability and accessibility of childcare services. The monthly operating grant program is now fully operational with the Co-Op Preschool receiving grants. Upon licensure, Sugar Bear Daycare and the church-based program will become eligible, each projected to receive \$4,800 monthly (based on 12 children per program), totaling approximately \$57,600 of Innovation grant funds from July through December, in addition to existing allocations for the Co-Op.

The next challenge is long-term sustainability. We are continuing efforts to determine whether Innovation grant funds can be placed into an endowment or other investment vehicle. The state has yet to provide a definitive answer, and I plan to raise the question again at the June 25th Innovation Grant Networking Session. Regardless of the outcome, the City of Valdez may need

to continue funding the operating grants for several years while an endowment grows to a level that can support meaningful distributions.

At the same time, local partnerships may offer a path forward. The passage of SB96, which reauthorizes a corporate tax credit for child care investment, creates a new incentive for corporate taxpayers to contribute to a potential Child Care Endowment Fund. Additionally, the Legislature allocated \$7.75 million for the state's child care grant program, which may help offset future costs. SB96 and the appropriated state child care grant funding both await approval by the governor.

### **Task 3: Child Care Expertise and Consultation**

Technical support and consultation have been provided consistently, including guidance on licensing, compliance, cost modeling, and funding structures. Ongoing subject matter expertise will continue to support Valdez as it implements comprehensive childcare solutions.

### **Recommendations and Next Steps**

- **Revise the start-up grant program by removing reimbursement requirements, addressing a key barrier cited by potential providers lacking upfront capital.** A similar approach in Juneau has proven successful. The reimbursement requirement creates a barrier for new providers who may not have access to upfront capital. The request for Letters of Interest (LOIs) was advertised in the Copper River Record earlier this year; however, no responses were received during that outreach effort. One LOI respondent and the church program have both mentioned this barrier. Juneau structures its start-up grants, using Innovation grant funds as upfront payments, which has proven effective in supporting new child care businesses.
- **Clarify state guidance on whether Innovation funds can be used to capitalize an endowment or trust.** Even if allowed, the city should plan to cover operating grants in the interim.
- **Incorporate the latest data into decision-making.** Use data from the Valdez Business Climate Survey and McKinley Research studies to demonstrate to COV leadership that sustaining the operating grant program with local dollars is the most effective way to address the low wages driving child care workforce instability and, ultimately, the low supply of care.
- **Plan the next site visit to Valdez.** Blue Shabler and Martha Barberio are planning to meet with city leadership and stakeholders in late summer.
- **Prepare to leverage new legislation.** If signed by the governor, leverage SB96 to involve local employers in long-term solutions through priority enrollment agreements for endowment contributions. SB96 is legislation reauthorizing a corporate tax credit specifically aimed at encouraging investment in child care services in Alaska. The bill creates incentives for corporate taxpayers to contribute funds to support child care

initiatives, such as establishing endowment funds or directly subsidizing child care operations. The goal is to improve childcare availability, quality, and affordability, thereby addressing workforce stability and economic development needs. In Valdez, SB96 offers opportunities for local businesses to invest in a Child Care Endowment Fund and potentially receive priority enrollment for their employees' children, supporting both corporate interests and community childcare sustainability.