

**MUNICIPALITY OF ANCHORAGE CHILD CARE AND
EARLY EDUCATION (ACCEE) FUND**
IMPLEMENTATION TEAM FINAL REPORT
SEPTEMBER 2024

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Introduction: Overview of the ACCEE Fund

A quality child care and early education sector supports families, helps us grow a strong economy, and equips our next generation with tools for the future. But Anchorage, like most communities across the nation, is facing a child care crisis. Our community lacks affordable and accessible care options. Most programs are experiencing staff shortages and long waitlists, and many programs are closing due to these pressures. To tackle these challenges, Anchorage voters resoundingly passed¹ Proposition 14 in April 2023, which sets aside all marijuana tax revenue collected by the Municipality of Anchorage to fund child care and early education programs (Anchorage Child Care & Early Education Fund, or ACCEE Fund). The ACCEE Fund is Anchorage’s most comprehensive and reliable investment in child care and early education to date.

These funds began accumulating in January of 2024, with approximately five million dollars of revenue available annually. These funds are in addition to the existing municipal alcohol tax, which was passed in 2020 and since 2021 has made possible the investment of approximately two million dollars annually to create multiple additional pre-k classrooms at Title 1 schools in the Anchorage School District. According to Proposition 14, the ACCEE Fund can be spent creating access to child care and early education programs; supporting reading programs; supporting child care or early education provider training, professional development, staffing, or livable wages; or funding facilities. Funding can be delivered in a variety of ways, including through the issuance of grants or the completion of studies or research related to child care and early education.

Proposition 14 also established a Child Care and Early Education Board to advise the Anchorage Mayor and Assembly on use of the funds and to present a proposed ACCEE Fund budget to both annually. In July 2024, the Assembly codified the Board’s terms, composition, operations, and responsibilities in AO 2024-061 (S-1).² The Board consists of nine members, all of which are appointed by the Mayor and must be confirmed by the Assembly. Pursuant to Proposition 14, the Board must propose an annual ACCEE Fund budget and submit it to the Mayor, with a copy to the Assembly, 120 days before the end of the fiscal year.³

Implementation Team

In the fall of 2023, following the passage of Proposition 14, the Anchorage Assembly and Alaska Children’s Trust formed a public private partnership between Alaska Children’s Trust and the Municipality to strategically implement the ACCEE Fund. Out of this partnership came the ACCEE Fund Implementation Team (IT), which was formed in October of 2023. Alaska Children’s Trust engaged a contractor (former Anchorage Assembly member and Acting Mayor Austin Quinn-Davidson) to staff the Implementation Team and lead it through the ACCEE Fund

¹ Proposition 14 passed by 12 percentage points.

² Please note this Board was initially referred to as the “Accountability Board” in Proposition 14, but later named the “Anchorage Child Care and Early Education Board” in the Assembly ordinance. As a result, some older documents refer to the “Accountability Board.”

³ The end of the municipal fiscal year is December 31; 120 days before that time is September 2 of each year.

implementation process.⁴ Members of the Implementation Team brought a range of experiences, perspectives, and backgrounds, but all members coalesced around the goal of effectively advancing and supporting a more sustainable child care and early education system in Anchorage. Members included representatives from the business sector; parents of children using child care and early education services; child care and early education direct providers; experts in the field; Anchorage Assembly and School Board members; the Anchorage Health Department, including the Municipal Child Care Licensing Program; a community member who initially brought the idea for the proposition forward; a representative from JBER family programs; and representatives from a local Head Start program (Kids’ Corps, Inc.) and Cook Inlet Native Head Start. A full list of members and contact information is attached as an appendix to this report.

For the past ten months, the Implementation Team, with the support of the ACCEE Fund contractor, have been analyzing child care and early education best practices, strategies, and trends; communicating and engaging with the public about the ACCEE Fund; participating in listening sessions and meeting with stakeholders; monitoring what others are doing to support this sector, including the State of Alaska Task Force on Child Care; meeting with experts to explore and evaluate potential programs and projects; assisting with the development of the ACCEE Fund Board ordinance passed by the Assembly in July; and developing a proposed 2025 (January-December) budget. Although the ACCEE Fund Board will typically design the annual budget, since the Board will not be seated in time to work through and finalize a 2025 budget proposal, the Implementation Team is providing a proposed budget for 2025 for the Mayor and Assembly’s consideration within this final report, alongside its other findings and resources.

The Implementation Team met monthly to discuss the topics outlined below, with a standing monthly update on actions taken by the State of Alaska legislature and Task Force on Child Care. A smaller subset of the IT (Implementation Team co-chairs and several other members, referred to as the “strategy group”) met more regularly to discuss the ACCEE Fund contractor’s proposed Implementation Team monthly meeting agendas, review draft documents prepared by the contractor, and discuss and develop approaches to the IT’s work, including its final recommendations and proposed budget. The highlights of each meeting are shown below, followed by more detailed information about the work done by the IT and its contractor between October 2023-July 2024. More detailed meeting notes are also attached as an appendix to this report.

Implementation Team meeting Topics covered

October 23, 2023	Website design/content; IT Communications Plan; plan for IT leadership; contractor scope of work; public engagement brainstorm; upcoming research and white paper; plan for future meetings
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⁴ This report was drafted by Austin Quinn-Davidson and then reviewed, edited, and approved by Implementation Team members.

November 28, 2023	Select IT co-chairs; public engagement plan and schedule; possible IT panels; communications plan and schedule; conflicts forms
January 16, 2024	White paper presentation by contractor; communications and engagement update by contractor; IT panels scheduled
February 15, 2024	Communications and engagement update; initial discussion on process for strategic budget recommendation; guest speakers Robert Barr (City and Borough of Juneau), Blue Shabler (Association for the Education of Young Children, Southeast), and Heather Weafer (JBER)
March 20, 2024	Initial discussion of ACCEE Board ordinance; guest speakers Iris Matthews (Stellar Group) and Antoinette Horn and Sun Smith (Cook Inlet Tribal Council)
April 17, 2024	Discussion of ACCEE Board ordinance; discussion of IT strategic recommendations and contractor resources, including a funding recommendations matrix
May 15, 2024	Finalize ACCEE Board ordinance; goal setting and determination of guiding principles to frame budget proposal for ACCEE Board
June 18, 2024	Introduction of Mayor-elect LaFrance; finalize funding goals and guiding principles; discuss funding priorities and levels
July 10, 2024	Finalize 2025 funding priorities and levels

Highlights of ACCEE Fund Work Done Since October 2023

The Implementation Team’s contractor was tasked with three categories of work product: (1) design, build, and maintain ACCEE Fund communications with the public, early educators, parents, partners, elected officials, and the rest of our community; (2) engage in research around trends, best practices, and strategies other jurisdictions are employing to improve the child care and early education sector; and (3) guide the Implementation Team in its strategic implementation of the ACCEE Fund, which included assisting with the development of the ACCEE Fund Board draft Assembly ordinance as well as producing a number of tools and resources to inform and shape the IT’s final recommendations, including its 2025 budget proposal. The ACCEE Fund contractor was also responsible for finalizing the budget proposal itself, which is incorporated into this final report.

Fall 2023-Winter 2024

Beginning in October of 2023, the Implementation Team, with the support of the ACCEE Fund contractor, built an ACCEE Fund website, began developing an ACCEE Fund Communications Plan, and brought together the Implementation Team. The contractor worked with the Alaska Children’s Trust and other partners to spread the word about open parent and early educator

seats on the Implementation Team, ensuring the IT included voices of those with lived experience on both the user and provider ends of the child care and early education sector.

From October to February, the contractor gave ten presentations throughout the community – some geared toward early educators, some toward parents, and some for other entities like the Federation of Community Councils or the Anchorage Chamber of Commerce, all of which covered the ACCEE Fund implementation process and sought input from participants. Events were well-advertised, including via sponsored social media and by Implementation Team members and their organizations and other partners, via radio advertisements, and via posters placed at locations providing child care and early education services as well as the Anchorage School District, diaper pantries, churches, cultural associations, hospitals, birthing centers, the Loussac library, and other community locations. Event information was also shared with the Municipality’s Equity Committee, Sol de Medianoche, and Nine Star, sent out to all licensed child care and early education providers in Anchorage, shared by the Federation of Community Councils with its email list (8,000 email addresses), and shared with the Women, Infants and Children (WIC) office to distribute to WIC recipients. Events took place in Midtown Anchorage, Eagle River, and Girdwood, as well as via Zoom, and were available at different times of day and the week, including evenings and weekends, to maximize participation. Each presentation allowed space for discussion and collection of community feedback and all in-person events offered free child care and food.

During the same time period, the ACCEE Fund contractor engaged in research and produced a 34-page white paper exploring best practices and trends in the sector, including approaches other jurisdictions are taking to solve the sector’s challenges. The contractor then presented her findings to the IT, noting what approaches might work best in Anchorage. The white paper is attached as an appendix to this report.

At the same time, with the help of the Implementation Team, the ACCEE Fund contractor designed and distributed a detailed survey to collect more quantitative public feedback. The survey was advertised far and wide, including at all Implementation Team events, and was completed by 424 individuals – some parents, some early educators, some business owners, and others not fitting into any of these categories. Participants responded to a series of more than 30 questions about child care and early education services and provided their recommendations on ways to support and make the sector more stable and sustainable. When asked what the best use of the ACCEE Fund was, participants overwhelmingly focused on two things: (1) paying early educators a higher wage, and (2) providing early educators with health care and other benefits. Full survey results are also attached as an appendix to this report.

Beginning in February of 2024, the Implementation Team and the ACCEE Fund contractor also heard from and met with experts and other partners in the field, both at Implementation Team regular meetings and in other settings. These experts included:

- The City and Borough of Juneau (Robert Barr, Deputy City Manager) and the Association for the Education of Young Children, Southeast (Blue Shibler, Executive Director), which

together operate a successful subsidy program to support child care and early education services in Juneau

- Cook Inlet Tribal Council (LeeAnn Cooper Garrick, Chief Operating Officer; Antoinette Horn, Eligibility Manager; Sun Smith, Childcare Assistance Quality Manager), which operates child care services in Anchorage and expects to grant approximately \$2.4M per year to child care and early education programs for the next ten years
- Joint Base Elmendorf-Richardson (JBER) Child & Youth Programs (Heather Weafer, Flight Chief, U.S. Air Force)
- Anchorage School District, Early Learning Department (Jessica Nessel, Director)
- State of Alaska Department of Health and Social Services (Heidi Hedberg, Commissioner; Leah Van Kirk, Health Policy Advisor)
- Alaska Afterschool Network (Thomas Azzarella, Executive Director), along with multiple individual school-aged care providers such as Camp Fire (Mel Hooper, President & CEO)
- Anchorage Association for the Education of Young Children (Kyle Gardner, Executive Director)
- State House Representative Zack Fields
- Stellar Group (Iris Matthews, President)
- Agnew::Beck (Tara Loyd, Senior Associate)
- University of Alaska Center for Economic Development (Nolan Klouda, Executive Director)
- Anchorage Early Childhood Coalition

In addition to the experts consulted above, the Implementation Team and the ACCEE Fund contractor had a number of other conversations about the state of the sector and responded to multiple inquiries about the ACCEE Fund. IT members and the contractor also observed the State of Alaska Task Force on Child Care and considered how its actions and resources might support or impact the ACCEE Fund.

Winter-Spring 2024

The ACCEE Fund contractor and members of the Implementation Team drafted and had published two Anchorage Daily News opinion pieces about events and other aspects of the Implementation Team's work⁵, and some members participated in a local podcast.⁶

The Implementation Team and its contractor also turned their attention toward assisting with the development of the ACCEE Fund Assembly ordinance. And starting in February of 2024, relying on the foundation provided by the white paper research, extensive public feedback, and information gathered and learned from experts, the strategy group convened to identify strategies, systems, and tools to approach and determine the Implementation Team's funding

⁵ <https://www.adn.com/opinions/2024/02/20/opinion-help-us-improve-anchorage-child-care-situation/> and <https://www.adn.com/opinions/2024/05/18/opinion-new-fund-will-benefit-children-families-employers-and-the-anchorage-economy/>.

⁶ Podcast available at: <https://anchoredcity.podbean.com>.

recommendations for the ACCEE Fund Board and Mayor and Assembly, including a (1) strategic framework to approach funding recommendations, (2) funding recommendations matrix, which listed numerous funding options, unanswered questions about these possible programs or approaches, associated benefits, possible partners, potential costs, etc., (3) funding goals and guiding principles document to shape the Implementation Team’s recommendations and provide suggested guidance to the ACCEE Fund Board, and (4) budget worksheet, which presented an opportunity for each IT member to identify their funding priorities and recommendations before the Implementation Team developed its collective 2025 ACCEE Fund budget proposal. Most of these documents are attached as appendices to this report.

Summer 2024

The Implementation Team finalized its recommendations, including a proposed 2025 budget, which are described in more detail below.

Implementation Team Recommendations

Discussions around two initial strategic documents (the Implementation Team’s initial strategic approach document and the funding recommendations matrix) led to the creation of a document prepared for the ACCEE Fund Board to guide its decision-making: the *ACCEE Fund Goals, Guiding Principles, and Approach to Allocating Funding*. The Implementation Team recommends that as one of its first actions, the ACCEE Fund Board discuss, consider amending if needed, and adopt this document to guide future work of the Fund and to inform the public, including the child care and early education community, of the ACCEE Fund’s goals as well as its limitations.

The *ACCEE Fund Goals, Guiding Principles, and Approach to Allocating Funding* identified proposed short-term (0-3 years) goals of the Fund (to stabilize the sector), long-term (4+ years) goals (to make the sector more sustainable), and a general approach to utilizing funds (to balance consistency and reliability with innovation and creativity). This document also laid out the Implementation Team’s five proposed guiding principles, meant to assist the ACCEE Fund Board in determining which potential funding options would best contribute to the ACCEE Fund Board’s goals, which are: (1) addressing the full continuum of child care and early education; (2) acknowledging and supporting mixed delivery of child care and early education in Anchorage; (3) making data-driven funding decisions that produce maximum impact; (4) maximizing the use of matching funds and partner resources; and (5) using existing municipally-owned facilities, including Anchorage School District properties.

The Implementation Team also identified a number of general approaches to making funding awards to help ensure the ACCEE Fund is accessible, fair, and effective. These include:

1. Applications for and the administration of any grants should be simple.
2. Grants should be distributed promptly.
3. Operational grants should, when possible, be flexible and empower awardees to decide specifically how to use them.

4. Operational grants should generally be made on a multi-year basis to provide some reliability to grantees, but no grantee has a right to perpetual funding.
5. Operational grants should predominantly be awarded to employers to distribute to their employees, rather than to individual employees.
6. Most grants should support workers and operations, but some could be for capital.
7. The ACCEE Fund Board should consider balancing diverse grant funding models, including some competitive and some non-competitive grants, as well as providing grant opportunities that vary in size. This diversity helps support both stabilizing and innovative projects, while also supporting sustainability of the Fund.
8. The ACCEE Fund Board should focus primarily on the needs of the sector. As to how to distribute funding and the mechanism for doing so, the Board should seek the advice of experts.
9. Up to the charter-allowed amount (10%) should be spent on administration of the Fund, so that it can be administered effectively and efficiently.

After finalizing this document, the Implementation Team also identified a number of other considerations, including ensuring that we are collecting data from grantees whenever possible, given the dearth of data related to the child care and early education sector (notably, it was even difficult to discern the number of early educators actively working in the sector). Please see the *Questions & Answers to Inform Funding Recommendations* document, attached as an appendix to this report, for additional ideas for data collection. Other considerations include ensuring that the Municipality awards 2025 funding early in 2025, and doing so in each of the following years, to make sure funds are usable and to maximize impact; and considering the State of Alaska's current focus (for instance, SB189 focused on affordability for families, which could enable the ACCEE Fund to instead focus on workforce and supply).

Relying on this critical foundational work, the Implementation Team was then able to identify its overall funding priorities and create its corresponding proposed 2025 ACCEE Fund budget. The IT coalesced around its overall funding priorities: **access to quality, affordable** child care and early education services. While these three priorities are inextricably linked, the Implementation Team concluded that the first step to ensuring Anchorage families have access to quality, affordable care is to focus on access. There are currently insufficient child care and early education services for families because providers are unable to retain and recruit early educators. And as multiple experts have identified – supported by the Implementation Team's survey results and community conversations over the past year – this is predominantly due to pay below a living wage and lack of benefits. If the ACCEE Fund focuses on increasing access for families, which depends on securing better pay and benefits for early educators, jobs in the sector will become more desirable and the sector will become more stable, leading to higher quality care for families. Affordability is also a challenge, but at the moment many families can't even find expensive, lower quality care – much less affordable, quality care. The Implementation Team therefore believes that the primary focus of the ACCEE Fund should be access, which will lead to quality, and then the ACCEE Fund can focus on affordability. This approach pairs nicely with the State of Alaska's current focus on affordability by expanding eligibility levels for State-funded child care assistance.

A theme that consistently came up during the Implementation Team’s budget discussions was the difficulty of solving the challenges of a sector in crisis. The child care and early education sector has been consistently underfunded and undervalued; the resulting need for funding in the sector is broad and deep, and it will take time – and more funding than the ACCEE Fund can provide – to repair and stabilize the sector. As Implementation Team co-chair Trevor Storrs often says, the ACCEE Fund isn’t merely a drop in the bucket, but it is only a small pour. It alone cannot solve our child care and early education challenges.

Nonetheless, we must start somewhere, and the Implementation Team believes the initial focus should be on access. Its 2025 proposed budget is the product of months of learning, research, conversations, and public feedback, and it reflects what Implementation Team members believe to be the most strategic use of 2025 ACCEE Funds, thereby stabilizing the sector the best we can. The hope is that in the longer term, under the leadership of the ACCEE Fund Board who can hopefully seek out, identify, and secure additional funds, the ACCEE Fund can be part of a broader system supporting a thriving and sustainable sector that benefits Anchorage families for years to come.

2025 Budget Proposal

Introduction

When narrowing down the many possible uses of ACCEE funding, the Implementation Team was careful not to recommend spreading limited funds so thin that they would not make a notable impact on the sector. As a result, despite identifying raising wages as a primary short-term goal, the Implementation Team does not suggest that the Mayor and Assembly allocate all of the available funding toward evenly-distributed wage increases. Assuming there are approximately 1,700 early educators in Anchorage⁷, using *all* of the annual ACCEE Funds on direct wage increases would only increase early educator hourly wages by about \$1.27 per hour. Average hourly wages for early educators in Anchorage are around \$15 per hour – well below a living wage. Wage increases are essential to retention of employees. An increase of \$1.27 per hour would be a positive step forward, but unfortunately would not make early educator pay competitive enough to change current trends in the sector. The Implementation Team therefore wanted to avoid using all ACCEE funds on these subsidies while simultaneously leaving no funds available for other uses.

Instead, the Implementation Team focused on two primary funding recommendations for 2025: (1) subsidies to pay for child care and/or early education costs for early educators’ children; and (2) operational grants for licensed child care and early education entities. The IT also recommends that the ACCEE Fund Board and Mayor and Assembly allocate the Muni Charter-allowed 10% of annual revenue from the Fund toward administration of the Fund, so that the Board is able to hire staff and/or contractors, pursue any needed data collection and studies,

⁷ This is a rough estimate from the Child Care Licensing program (Anchorage Health Department).

engage in research as needed, perform required audits, etc. Finally, the IT understands that 5% of annual revenue is likely required to pay for tax collection. Please see the attached budget for more detail.

Covering the Cost of Care for Early Educators' Children

One of the most exciting programs the Implementation Team analyzed originated in Kentucky in 2022, when the state made all child care employees eligible for state-funded child care for their own children, so long as they worked 20 or more hours per week. Sarah Vanover, the State of Kentucky's then-director of its Division of Care, realized young workers were leaving the child care and early education sector when they became parents. She suspected that offering free child care for early educators' children would not only keep these early educators in the sector, reducing turnover, but potentially attract other workers to the sector, both of which would result in more care spots being available. The program was immediately successful. In 2022, only 17,000 children in Kentucky were accessing child care assistance. Only a year later, the number of children receiving state subsidies jumped to 40,000; however, only 3,600 of these children were the children of early educators, meaning that many other kids in 2023 were now accessing the subsidy simply because more child care spots were available – a natural result of having more workers in the sector. A number of child care centers reported that they were finally able to fully staff their operations, and many other states are now pursuing this successful program.

The Implementation Team believes this program could be incredibly successful in Anchorage and recommends that the Mayor and Assembly allocate approximately \$2 million in 2025 funds to support it. The IT is uncertain how many early educators might take advantage of this program; JBER has seen usage rates for its similar program as high as 43-45% of employees, but some other programs report lower usage. And given that only 8% of Anchorage's population is age five and younger, there's reason to believe that usage rates would be much lower than at JBER. Please see the attached budget for a definition of the program, implementation notes, and estimates for what \$2 million would cover in Anchorage, depending on the number of early educators utilizing the program. The IT's hope is that this program would pair nicely with State of Alaska assistance, and that the Anchorage model would eventually, like in Kentucky, be adopted and funded statewide.

Operational Grants to Support Child Care and Early Education Businesses

The Implementation Team recommends the Mayor and Assembly invest the approximately \$2.4 million remaining of 2025 funds in operational grants for licensed child care and early education businesses and organizations. In this funding model, the specific use of the funding would be determined by the individual business, but the expectation is these grants would lead to increased wages for early educators, lower employee turnover, and ultimately increase access to child care and early education services. There are currently 188 licensed child care and early education entities in Anchorage. Notably, this does not include programs exempt from licensing, such as before or after school or seasonal programs, many of which are just as in need of

funding as full-time child care and early education providers. Should these operational grants be funded, the ACCEE Board would need to determine which programs should be eligible for these grants, as well as other details such as whether awards should be based on the size/licensed capacity of the facility, number of employees, etc. An added benefit of funding operational grants is that they could be an avenue for collecting data from a broad range of different types of providers, which would be particularly useful in this data-poor sector. Examples of lacking data are the number of early educators currently working in Anchorage, the number of those early educators who are parents and might take advantage of a subsidy for the care of their children, and the amount of unlicensed (including exempt) early educators in Anchorage. Please see the *Questions & Answers to Inform Funding Recommendations* document, attached as an appendix to this final report, for examples of other missing information.

One issue the Implementation Team has repeatedly weighed is how to balance grantees' need for assurance that funding will be consistent with the ACCEE Fund's ability to be nimble and innovative. If funds are allocated in the same manner every year, grantees are able to rely on funds and perhaps increase wages or make other permanent positive changes within their organizations. But that consistency also means less ability for the Board to pursue new ideas, pilot projects, or other creative mechanisms for making positive change in the sector. That said, increasing wages was repeatedly identified – whether through research, surveys, or conversations with those working in and relying upon the sector – as the top need. So it might be that, given the relatively small amount of ACCEE funds available each year, focusing them on any program that increases wages is the top priority, even if it means sacrificing the ability to pursue other projects.

Use of 2024 Accrued Funds

The Mayor and Assembly will be in a unique situation during this budget cycle: not only will they have 2025 revenue to plan for, but there should be approximately \$5M in accrued 2024 revenue available in the ACCEE Fund. The Implementation Team considered these accrued funds when putting together its budget proposal. Given that the ACCEE Fund Board might want to make some or all of the programs funded with 2025 funds recurring (to ensure the reliability mentioned above), the Implementation Team recommends that the Mayor and Assembly consider using the 2024 accrued funds for creative one-time programs and purposes.

Innovative Pilot Projects

First, the Implementation Team suggests the Mayor and Assembly support, and the Board pursue, one or more pilot projects. This would allow the Board to award funding to particular projects that drive innovation and hopefully inspire confidence and further investment in the sector, ultimately leading to improved access to affordable, quality care. This funding might be competitive and available only to one or more operators, based on their ability to shift the sector in a positive direction. It might be that the Board is able to identify and fund one or more pilot projects immediately, or that development of these types of creative projects will take more time. The IT recommends that the Board plan to spend approximately \$2 million in 2025

on these types of projects, but is aware that given the unique nature of these grantees, it might take more time to identify grantees and spend these funds. On the other hand, there might be many worthy programs, meaning the Board might want to spend even more than the \$2 million recommended in the attached budget proposal.

Capital Improvements

Another known need is funding for capital improvements. Because child care and early education facilities are often operating on such thin margins, putting everything they have into retaining workers, capital needs such as playground equipment and new roofs or other infrastructure often get ignored. The Implementation Team is wary of recommending that the ACCEE Fund Board and Mayor and Assembly invest too much of the ACCEE funds into capital costs, both because capital costs can add up quickly and because these one-time projects might be more easily funded from other sources than operational needs. That said, the IT recognizes that this is a common need for child care and early education businesses, and one that often goes ignored. The Implementation Team therefore recommends that the Mayor and Assembly allocate approximately \$500,000 of the accrued 2024 funds for capital grants. The IT suggests that this funding largely be used for existing facilities, because there is such a need at existing businesses, but recognizes there might be cases where providing capital funding for a new child care or early education business would make sense. If the Mayor and Assembly agree to allocate funding for capital expenses, the ACCEE Fund Board could either divide the allocated amount between all licensed and exempt entities, or it could set up a competitive process to fund only certain facilities.

Start-Up Costs, Especially for In-Home Providers

Finally, while the Implementation Team believes that the highest priority for ACCEE funds should be on existing businesses to slow ballooning closures over the past few years, the IT also believes there is benefit to making it easier to start a new child care or early education business. It therefore recommends that the Mayor and Assembly set aside approximately \$200,000 to fund start-up costs for new child care and early education businesses. While the attached budget explains that generally the easiest facilities to start are in-home care businesses, and thus perhaps the best recipients of these limited funds, the IT also urges the ACCEE Fund Board to consider whether it should expand eligibility to centers as well, as all types of new child care and early education businesses could benefit from this program. The ACCEE Fund Board might consider capping the amount available to a facility depending on size/licensed capacity.

The Implementation Team is hopeful that the ACCEE Board might not need the 10% in administration funds from the accrued 2024 revenue, given the availability of 2025 administration funds. And while the Implementation Team supports spending a sizable amount of the 2024 funds to get them into the community as soon as possible, the IT also understands why the ACCEE Board and Mayor and Assembly might choose to save some of these funds for future needs yet to be identified, and has suggested a 2024 budget proposal that attempts to strike this balance.

Conclusion

There are many deserving programs and ideas that are not included in the Implementation Team's proposed budget. It will take much more than \$5 million annually to repair this chronically underfunded and undervalued sector, and it can be overwhelming to know where to start. The IT recommends that the ACCEE Board review the attached funding recommendations matrix, which contains 29 different funding ideas, each of which would bring benefits to the sector and the families who depend on it. There are also other resources that highlight specific strategies and methods to make this critical sector more sustainable, such as the recently released *Child Care in Alaska: The True Cost of Care*, attached in an appendix to this report. The Implementation Team is hopeful that with many deserving possible programs, and following the success of State of Alaska investments and the new projects and programs made possible by the ACCEE fund, there will eventually be new funding streams that can make the ACCEE Fund investments even more impactful.