



ANCHORAGE
CHILD CARE &
EARLY EDUCATION **FUND**



August 29, 2025

The Honorable Suzanne LaFrance
Mayor, Municipality of Anchorage
632 W 6th Avenue
Anchorage, AK 99501

Dear Mayor LaFrance,

The ACCEE Fund Board is pleased to share the attached 2026 proposed ACCEE Fund budget with you and your team. After months of exploration and evaluation, the Board voted on the attached budget at its August 7, 2025 meeting. This budget was shaped by detailed public feedback received over the course of the past few months, including in comments shared at our meetings and in writing, through smaller discussions with providers and sector experts, and from 34 responses to a public survey.

As you consider this proposed budget, we'd like to share the reasoning behind it as well as an update on the 2025 programs. Due to the quick work of AHD staff and our Interim Executive Director, the ACCEE Fund's three primary 2025 programs – all brand new this year – are already operational. These three programs include: (1) the early educator child care subsidies program, which secures affordable care for a population that often does not have access to it, keeping child care workers in the sector and creating more spots for Anchorage families; (2) operational grants, which support necessary operating costs, thereby reducing closures and making care more reliable for Anchorage families; and (3) pilot projects and capital grants, which drive innovation and increase access to quality, affordable child care.

Early Educator Child Care Subsidies

Payments to care providers for covered children started going out this week. These monthly payments will be based on a structured formula developed by Alaska Family Services, which administers this program, and the ACCEE Fund Board's Implementation Committee, taking into account any existing State Child Care Assistance Program benefits to focus ACCEE funding and maximize the impact of the program.

This program will benefit sector workers, their children, and families throughout Anchorage. It will also benefit child care businesses, whose employees will now have increased benefits at no cost to employers. And for those that already provide this benefit, funds will now be freed up for other essential needs. At least 76 families have signed up for this program already, with a rolling application period allowing for more covered families as the program becomes more known. While this program directly benefits 76 families and the corresponding 119 children who will now receive reliable care as a result of this program, the benefits are much broader: secure benefits for 76 workers likely translates into hundreds of child care spots for Anchorage families.

We hope the Municipality will continue this program into 2026 so that it can grow and we can more fully realize the many benefits. In collaboration with Alaska Family Services, we have been designing a survey for distribution to all beneficiaries of this program that will enable us to better quantify and understand the impact of the program on Anchorage families. This survey will be distributed in October, with initial results hopefully available by mid-November.

Operational Assistance

Operational assistance payments began being distributed last week, with all payments going out by the end of September. The one-time payments are based on a structured formula thoughtfully developed by thread Alaska and the ACCEE Fund Board's Implementation Committee. Payments to licensed entities, comprising the bulk of eligible recipients, are calculated based on how many children are served, with extra bonuses for offering cost-intensive programs like infant care and serving special needs kids.

Among the various ACCEE Fund programs, this program is the most consistently supported by the sector (97% of respondents strongly supported or supported including it in the ACCEE Fund proposed budget). The bulk of public comment we received was to increase the value of this line item in our proposed budget. Based on this feedback, the Board increased the value from the initial draft of \$1.9M to \$2.4M, staying consistent with 2025 funding levels.

To understand its effectiveness and ensure this program is a strategic use of the limited ACCEE funding, we sought data from thread Alaska, which has distributed other similar funding in the past. thread Alaska provided us with a report produced by McKinley Research Group, LLC following its COVID operational assistance awards, which revealed the following:

1. About half of the operational assistance funding disbursed during COVID was used to fund wages and other benefits, with the next highest category being facility costs. Depending on the funding phase, about eighty percent of all funding was spent on these two categories.
2. Across the State, ninety percent of respondents reported that the thread stabilization grants helped stabilize their business and helped them avoid closing.
3. In the Municipality specifically, almost all awardees agreed the grant they received helped stabilize their organization (97%), helped them avoid closing (93%), and allowed

the organization to increase and/or maintain enrollment (85%). More than three-quarters (77%) of respondents reported that the grant helped them invest for future needs, that the grant played a crucial role in avoiding staff layoffs or furloughs (76%), and helped retain staff through increased compensation or bonuses (75%). Sixty-nine percent agreed that the grant reduced tuition costs for families.

More recently, as part of the 2025 ACCEE Fund operational assistance process, thread Alaska asked applicants what amount of funding beyond their current revenue would be needed to stabilize their program operations each calendar year. Of the 200 eligible applications, 175 were from licensed child care programs and 136 answered this question. The average response was \$63,875.10. The operational assistance funds available for the 2025 program (\$2.4M, the same amount the Board is proposing for 2026) allows for an average award of approximately \$11,500, demonstrating great need even beyond the \$2.4M.

The data demonstrate the effectiveness of operational assistance funding and the great need for this type of funding in the sector, consistent with the feedback the Board has also received. These funds help stabilize businesses, directly reduce closures, allow businesses to increase enrollment and retain staff, while reducing costs for families. For all of these reasons, we believe investing in this program is wise.

Pilot Projects and Capital Funding

The Anchorage Health Department released a Request for Grant Proposals (RFGP) this spring for pilot projects and capital funding, meant to drive innovation in the sector and increase access to quality, affordable child care. Total funding available was \$2M. The Municipality received 48 proposals for over \$5M in funding. The RFGP evaluation committee carefully scored and recommended 20 proposals for approval, which the Assembly thereafter approved. These proposals reflect a mix of capital projects and new, innovative ideas in the sector, including repurposing underutilized Anchorage School District classrooms into licensing-ready, rent-free spaces for community-based child care or early education providers; teacher training programs, one of which will transform a program into a worker-led child care operation; completion of a feasibility study on employer-supported child care cost sharing in Anchorage; adding inclusive playgrounds; and multiple renovation projects to add additional capacity at existing businesses, among many others.

The RFGP process was incredibly successful and has created many unique and innovative projects, as we had hoped. We've also learned some lessons through the process, and will be exploring how to reduce barriers for proposers in any future iterations of this program.

New Programs

Along with continuing the very successful 2025 programs, the Board has proposed two new programs in 2026: (1) sector worker retention bonuses, which would be scaled based on levels

of training and experience in the sector, and (2) creation of a start-up fund for new in-home providers.

We know that increasing wages is the most effective way to retain staff, therefore creating consistent care for Anchorage families. Retention bonuses aim to raise pay for our most experienced and capable sector workers, while also giving those earlier in their careers motivation to stay in the sector and continue to grow and learn in their roles. Other jurisdictions successfully implement these types of benefits, like the City and Borough of Juneau. The Board plans to do a deep dive into retention bonus programs – both close to home and across the country – to strategically shape the municipal program.

As for the start-up fund, we know that while it can be quite challenging to open a new center, opening a new in-home licensed facility can be more manageable, especially with support and a small amount of funds to get started. This program will hopefully allow us to identify possible new programs and support them as they get licensed and open, creating more child care spots for Anchorage families.

Closing

We are eager to collaborate with you and the Assembly to craft a strategic, targeted, responsive ACCEE Fund budget that serves the immediate needs of the sector while also looking long term and supporting the sector to become more sustainable. We look forward to discussions as the budget process progresses.

Sincerely,

A handwritten signature in black ink, appearing to read 'T. Storrs', with a long horizontal flourish extending to the right.

Trevor Storrs
Chair, ACCEE Fund Board



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Municipality of Anchorage ACCEE Fund Board
2026 Proposed Budget

This proposed budget reflects the ACCEE Fund Board's recommendations for funding for the 2026 calendar year. This budget was finalized at the ACCEE Fund Board's August 7, 2025 meeting, after months of discussion and extensive public feedback in the form of emails, public comment at meetings, and a public survey completed by 34 respondents. Consistent with the guiding proposition and municipal Code, the budget is being submitted to the Anchorage Mayor and Assembly by September 2, 2025. The Mayor will consider the proposed budget when crafting her 2026 Municipal budget, which will be presented to the Anchorage Assembly for consideration by October 1, 2025. The Mayor and Assembly will evaluate and amend, as needed, the 2026 municipal budget, including the ACCEE Fund budget, before finalizing it at the end of November 2025.

GOAL: Field Stabilization

The child care and early education field is currently in crisis. Stabilization support is essential to stop the losses and create a foundation for growth. Stabilization funding helps providers cover operating costs, retain staff, and maintain quality access to early learning opportunities, which strengthens families and supports the broader workforce and economy.

Objectives

1. Retain and Strengthen the Sector Workforce: *Strengthen the workforce through wage supports, benefits, and encouragement of professional development*
2. Sustain and Expand Operations: *Prevent closures by helping providers cover essential costs like rent, utilities, equipment, structural improvements and supplies, while also providing funds to encourage innovative growth in the sector*

3. Increase Access for Families: *Reduce program waitlists, ensuring more families can secure child care and early education services*

Proposed Funded Programs

<i>Program</i>	<i>Amount</i>	<i>Description</i>	<i>Objectives Met</i>
<i>Early Educator Child Care Subsidies</i>	\$2,500,000	<p>Subsidies to pay for at least a portion of the child care or early education costs for sector workers' children. This innovative program began in Kentucky in 2022 and has been incredibly successful. The program serves as a retention tool, ensuring more child care and early education spots are available for Anchorage families while simultaneously providing a benefit for low-paid workers who otherwise might be forced to leave the sector.</p> <p>This program was funded for the second half of 2025 at \$1,250,000. The \$2,500,000 is intended to provide the same level of funding for the program during 2026. The program was designed by the Municipality and administered by Alaska Family Services in 2025, which also operates the State of Alaska Child Care Assistance Program in Anchorage. Individuals receiving subsidies must be willing to respond to requests for data and information regarding use of the funds to ensure the awards are a mechanism for better understanding the sector and preparing for and assessing future budget needs.</p>	1, 2, 3
<i>Flexible Operational Funding</i>	\$2,400,000	<p>Provides direct financial assistance to existing child care and early education entities. Consistent support should lead to increased wages for early educators, lower employee turnover, and ultimately increase access to child care and early education services. Increasing wages is widely understood as the number one priority in this sector, consistent with feedback received from providers, employers, and families.</p> <p>This program was funded in 2025 at \$2,400,000. It was designed by the Municipality and administered by thread Alaska in 2025. Awardees must respond to requests for</p>	1, 2, 3

		data and information regarding use of the funds to ensure the awards are a mechanism for better understanding the sector and preparing for and assessing future budget needs.	
<i>Pilot Projects and Capital Funding</i>	\$2,000,000	<p>Targeted funding (1) that drives innovation and is intended to inspire confidence and further investment in the sector, ultimately increasing overall wages and supporting a more sustainable sector (pilot projects) and (2) to support existing facilities, ensuring they can remain operational or expand as needed to meet community demand (capital).</p> <p>This program was funded in 2025 at \$2,000,000. It was designed by the Municipality and twenty entities were selected for funding via a competitive Request for Grant Proposals process. In 2026, the Board recommends using \$50,000 of this funding for technical assistance, to ensure the proposal process is equitable and accessible to providers with varying levels of experience with grant applications and English proficiency. The Municipality could also explore using a third party to administer these funds to reduce barriers and burdens on applicants.</p>	1, 2, 3
<i>Sector Worker Retention Bonuses</i>	\$500,000	<p>Provides bonuses to workers in the sector based on their experience in the sector and training completed.</p> <p>This program would be new in 2026. It would serve as a retention tool for sector employees, stabilizing the workforce and contributing to increased access for Anchorage families. Rewarding training and experience should also increase the quality of care delivered. The ACCFEE Fund Interim Executive Director has already started exploring methods for determining and distributing bonuses, including using existing SEED registry data. The goal would be to have these bonuses flow through the employer, and it is possible the bonuses could be administered as part of the operational assistance program. The \$500,000 would include administration costs. By April 2026 and before implementation of this program, the ACCFEE Fund Board will do a more detailed assessment of the impact of retention bonus programs.</p>	1, 2, 3

<i>Start-up Fund for In-Home Providers</i>	\$100,000	<p>Funding for new in-home care. While opening a new center requires a large investment, small amounts of start-up funding for in-home facilities could be incredibly effective at increasing access to child care and early education services at a relatively low cost.</p> <p>This program would be new in 2026. The Board generally recommends awarding up to \$10,000 in start-up funds to each entity, but would work with the Anchorage Health Department and others as needed to determine the scope of the program. The \$100,000 would include administration costs. This program, if successful, might need to be increased in future years.</p>	1, 2, 3
<i>Fund Administration</i>	\$590,000	<p>Includes but is not limited to the cost of staff, contractors, strategic planning and the Code-required investment strategy, data collection, studies, research, and/or required audits.</p> <p>Proposition 14, which established the ACCEE Fund, allows for up to 10% of annual ACCEE Fund revenue to be spent on administration, ensuring swift and smooth implementation of programs. Administration funding has been essential to the successful implementation of 2025 programs. Administration was funded at approximately 10% of expected revenue in the 2025 budget (\$535,000), but up to half of this value is expected to remain by the end of 2025. The ACCEE Fund is still getting established and intends to hire its permanent Executive Director during 2026, plus begin more regular programmatic evaluations, among other things. As a result, we recommend keeping the same level of funding for administration in 2026, but some funding could remain at the end of 2026. We expect to be able to better predict administration funding for the 2027 proposed budget, after two full budget cycles. Please note that the Treasury Department has not yet predicted 2026 revenue, so this line item assumes the same revenue prediction as 2025.</p>	
<i>Tax Collection</i>	\$285,000	Cost of Municipal tax collection.	
TOTAL Proposed for	\$8,375,000		

2026 Programs			
<i>Estimated ACCEE Fund Available Funding in 2026</i>	\$8,400,000	There will be approximately \$2,500,000 remaining in the ACCEE Fund at the end of December 2025 (an estimate based on the likelihood of some remaining administration funding). While the Municipal Treasury Department has not yet made its ACCEE Fund 2026 revenue predictions, we expect revenue to be similar to past years. Revenue was approximately \$6,300,000 in 2024 and estimated to be \$5,900,000 in 2025. Using \$5,900,000 as the 2026 revenue prediction, there would be \$5,900,000 + \$2,500,000 available in 2026, or a total of \$8,400,000.	