

Sponsors: Mosher/ Christianson/ Pike

Step 1

I MOVE TO accept the Sitka Child Care Needs
Analysis Report.

Step 2

Discussion / Direction / Decision on next steps.



CITY AND BOROUGH OF SITKA

A COAST GUARD CITY

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

From: Assembly Members Mosher, Christianson, and Pike

Date: May 5, 2026

Subject: Child Care Needs Analysis Report 2026 — Program Options and Direction

Background

The City and Borough of Sitka's 2022 Strategic Plan identified child care as a long-term community priority under Goal 1.4. In November 2025, the Assembly elevated child care to a **top priority**, refining that goal to focus on developing incentives and identifying revenue sources to improve access to care.

Following this direction, Assembly members conducted outreach with local child care providers, the Early Childhood Coalition, the Sitka School District, the Sitka Tribe of Alaska, and the Chamber of Commerce. These conversations confirmed that Sitka's child care challenges are complex and systemic, requiring dedicated technical analysis.

In January 2026, the Assembly approved a **\$25,000 supplemental appropriation** to engage the Southeast Childhood Collective (SCC) to conduct a Child Care Needs Analysis and develop a program investment framework. The resulting *Sitka Child Care Report 2026* (the Report), submitted by SCC Executive Director Blue Shibler in March 2026, provides a data-informed foundation for the Assembly's deliberations. This memorandum summarizes the Report's key findings and investment options.

Analysis

Child Care System Overview

The report confirms that Sitka's child care system is constrained by three interconnected factors:

1. Supply and Demand Imbalance

Sitka's licensed child care system currently has capacity for approximately 281 children and actively serves approximately 204 — including 14 infants, 20 toddlers, 104

preschool-aged children, and 50 school-age children. Additional programs, including Head Start, a therapeutic preschool, and Tribal or relative care, serve approximately 29 children outside the state licensing system.

Against an estimated community demand of approximately **485 children** ages 0–9 who require regular non-parental care, the licensed system faces a gap of roughly **281 slots**. This gap is most acute for infants and toddlers: only one licensed center provides infant care, and just 34 licensed spaces exist for children ages 0–3. The Report notes that actual availability is lower still, as many providers operate below their licensed numbers due to staffing shortfalls.

2. Workforce Constraints

Child care is a labor-intensive sector in which staffing typically accounts for 60–80% of operating costs, and state-mandated staffing ratios directly constrain enrollment capacity. Sitka's child care workforce faces a persistent wage gap relative to both competing industries and the local cost of living.

The wage gap is most severe at entry-level positions, limiting recruitment into the field. The practical result is a reinforcing cycle: constrained revenue limits wages, low wages limit staffing, and staffing shortages reduce enrollment below licensed capacity. Without improvement in compensation, this cycle will continue to suppress the number of children providers can serve.

3. Affordability and Cost of Care

Federal benchmarks define child care as affordable when it does not exceed **7% of household income**. Based on Sitka's median household income of approximately \$101,200, the affordable monthly cost of child care is approximately \$590. In practice, monthly tuition in Sitka averages approximately \$1,600 for infants and \$1,450 for toddlers — far exceeding that threshold. The Report further documents that state subsidy rates fall significantly below the true cost of providing care, widening the structural gap between available revenue and operating expenses.

Conclusion:

The child care market in Sitka cannot correct itself. Providers cannot raise wages or expand without additional revenue. Families cannot absorb higher tuition. The system cannot close the supply-demand gap without public investment.

Stakeholder and Community Input

In February 2026, SCC convened three community listening sessions in Sitka, with approximately 40 participants including parents, providers, and community members. Across all sessions, participants consistently identified workforce compensation, high

operating costs, and family affordability as the primary barriers to a functioning child care system. Participants also noted that limited child care availability directly affects workforce participation, career decisions, and the ability of young families to remain in the community.

A majority of participants in two of three sessions expressed **support for increased public funding**, including willingness to consider higher taxes as part of a broader solution. The Early Childhood Coalition's survey of **233 Sitka families** reinforces these findings:

- Only 34% of families report neutral to high satisfaction with infant care.
- Cost is the dominant concern, identified by 70% of families dissatisfied with child care.
- Availability is the second concern, identified by 43% of dissatisfied families.
- Only 23% of dissatisfied families identified quality as a concern — indicating that the primary barriers are access and affordability, not program quality.

Program Options

Option 1: Workforce Incentives and Operational Cost Relief (Stabilization)

This option addresses the workforce constraint directly through the HEARTS Award program (Hiring, Educating, and Retaining Teaching Staff) — a tiered, quarterly wage-enhancement award program modeled on a program currently operating successfully in Juneau — combined with relief from City-controlled operating costs such as utilities and property taxes.

HEARTS awards are structured in three tiers based on education and experience and paid directly to employees of licensed child care programs. Participation is tied to eligibility requirements, creating a pathway for professional development while supporting workforce retention.

Tier	Qualification	Quarterly Award	Annual Award
Tier 1	CDA, 6 ECE credits, or 3 yrs experience	\$1,386	\$5,544
Tier 2	AA degree, Montessori credential, or 6 yrs experience	\$2,080	\$8,320
Tier 3	Bachelor's degree or 9 yrs experience	\$3,120	\$12,480

	Year 1 (32 Staff)	Year 2 (47 Staff)
HEARTS Awards Total	\$277,304	\$409,024
Utility/Property Tax Relief	TBD (City analysis required)	TBD

Estimated impact: 0–20 additional slots through improved staffing and fuller use of existing licensed capacity.

Option 2: Direct Operating Grants (Growth)

This option provides licensed providers with a fixed monthly per-child operating grant tied to enrollment, supplementing tuition revenue with a stable, predictable funding stream. A tuition stabilization compact would require participating providers to hold tuition rates steady during the grant period, protecting families from cost increases while maintaining provider revenue. This model strengthens provider financial viability and creates conditions for expansion and new provider entry.

Grant Level	Scenario	Monthly Cost	Annual Cost
\$250/child/month	Current enrollment (204)	\$51,000	\$612,000
\$250/child/month	Expanded (300 children)	\$75,000	\$900,000
\$400/child/month	Current enrollment (204)	\$81,600	\$979,200
\$400/child/month	Expanded (300 children)	\$120,000	\$1,440,000

Estimated impact: 40–100 additional slots driven by expansion of existing programs and the addition of new providers.

Option 3: Blended Model — Comprehensive Investment

This option combines workforce incentives (HEARTS awards), per-child operating grants, and a family affordability scholarship fund into a coordinated investment strategy that addresses all three structural constraints simultaneously. A need-based scholarship fund would provide approximately \$500 per month per eligible child, targeted to families facing the greatest financial barriers.

Component	Moderate (\$250/child/mo)	Higher (\$400/child/mo)
HEARTS Workforce Awards	\$277,304 → \$409,024	\$277,304 → \$409,024
Per-Child Operating Grants	\$612,000 → \$900,000	\$979,200 → \$1,440,000
Family Scholarship Fund	\$125,000 → \$200,000	\$125,000 → \$200,000
Total (Stabilization → Growth)	\$1,014,304 → \$1,509,024	\$1,381,504 → \$2,049,024

Estimated impact: 60–120+ additional slots through full utilization of existing capacity, program expansion, and new provider development.

Note: A phased approach — beginning with Option 1 and scaling toward Options 2 or 3 over time — represents a viable fourth pathway that balances near-term fiscal constraints with long-term system improvement. Expanding capacity at any option level will also require start-up and expansion support to offset pre-operational costs providers must absorb before generating enrollment revenue.

Fiscal Note

There is no immediate fiscal impact associated with the Assembly's acceptance of this report. However, implementation of any program option would require a new, sustained revenue source, as current City budgets do not include funding capacity for these programs.

Estimated annual program costs range from approximately \$277,000 (Option 1, Year 1, excluding cost relief) to \$2.0 million (Option 3, higher investment model at full growth). The Finance Department has identified the following preliminary revenue scenarios for discussion purposes:

Revenue Source	Est. Annual Yield	Notes
2% alcohol tax	~\$500,000–\$600,000	Carries substantial litigation risk
+1% seasonal sales tax (Oct–Mar)	~\$1.1 million	Finance Dept. preliminary estimate
+1% seasonal sales tax (Apr–Sep)	~\$2.2 million	Finance Dept. preliminary estimate

These estimates are provided for discussion purposes and would require further analysis, public process, and formal policy consideration prior to adoption.

Recommendation

Sponsors recommend the Assembly **receive and accept the Sitka Child Care Report 2026** and provide direction on whether and how to proceed with a City-funded child care investment program. The program options summarized in this memorandum are drawn directly from the Report; the Assembly is not limited to selecting a single option, and a phased or hybrid approach combining elements of more than one option is expressly contemplated by the Report's framework.

As part of this discussion, the Assembly may wish to address the following questions:

1. Does the Assembly wish to move forward with addressing child care as a funded priority?
2. If so, which program option or combination of options best aligns with community goals and the City's fiscal capacity?
3. Should the City pursue a phased approach, beginning with stabilization (Option 1) and scaling toward broader investment over time?
4. What revenue strategy, if any, should be directed for further development and analysis?

At this time, the City does not have funding available within its existing budget to implement any of the identified program options. If the community and Assembly determine to move forward, **a dedicated revenue source will need to be identified and developed** to support a sustainable child care investment strategy in Sitka.

Enclosures:

- Sitka Child Care Report 2026, Southeast Childhood Collective (March 2026)
- Child Care in Sitka: Challenges, Gaps, and Future Pathways — Executive Brief
- Sitka Early Childhood Coalition — Early Childhood Survey Results