SDC / SKAGWAY EARLY CHILDHOOD EDUCATION & CARE

SKAGWAY DEVELOPMENT CORPORATION

POLICY & ECONOMIC DEVELOPMENT REPORT

# Investing in Skagway's Child Care Future

Early Childhood Education and Care Subsidy Project

Project Findings, Proposed Subsidy Model & Five-Year Sustainability Strategy

NOVEMBER 2026 • SKAGWAY, ALASKA

*SDC BOARD REVIEW • DRAFT FOR PUBLICATION APPROVAL*



*Early childhood learning in Skagway · Photo provided for this report*

**THE CENTRAL PROPOSAL**

2027–2031: consider eligible, uncommitted municipal Community Funding Grant resources for annual operating subsidies. In parallel: establish and grow a separate, municipally controlled Child Care Permanent

Fund through outside contributions. Review readiness for a funding transition before 2032.

Purpose of this draft: SDC Board review and approval of the Rasmuson-funded project report for completion of design and public release. The recommendations are presented for subsequent MOS Assembly consideration; they do not represent municipal approval, appropriations, or adopted policy.

## Executive Summary

Review pathway: SDC Board reviews the grant project report and authorizes final design/publication. MOS Assembly separately reviews the proposed subsidy and municipal funding recommendations. Any municipal action requires its own approval process.

Affordable, reliable child care is critical to Skagway's workforce, family retention, and economic resilience. This report builds on the Municipality of Skagway's (MOS) prior child-care startup efforts and the 2025 provider-based subsidy pilot to propose a practical operating subsidy and a longer-term funding transition.

The project finds that Skagway's immediate challenge is not solely attracting new providers: sustaining existing capacity, retaining staff, and expanding scarce infant care require predictable operating support. A simple provider-based subsidy can help close the gap between family tuition and the cost of delivering care.

**PHASE I · 2027–2031**

Propose a five-year municipal funding framework: annually review eligible, uncommitted Community Funding Grant (CFG) balances and consider their appropriation to the following year's subsidy. Approximately $151,000 is an upper illustrative direct-subsidy planning amount, not a total FY2027 appropriation request. Additional costs require a separate budget. SDC would be the proposed third-party administrator.

**PHASE II · CONCURRENT FUND GROWTH**

Propose a dedicated, municipally controlled Child Care Permanent Fund, using existing MOS financial infrastructure where legally appropriate. Build principal primarily through employers, businesses, individuals, foundations and other outside contributions, separate from annual CFG subsidy funding.

**TRANSITION · 2032 ONWARD**

Before 2032, assess whether authorized investment distributions can replace some municipal operating support. The five-year horizon is a planning target, not a promise that the permanent fund will be fully capitalized or that CFG support can safely end.

Key figures: $400/month infant and toddler; $300/month preschool; $150/month school-age (full-time). Assuming 10 weeks of school-age summer care, illustrative direct subsidies total approximately $126,923–$150,923 annually under different age-mix assumptions, before administration and contingencies. An initial $2–$2.5 million fund would generate an illustrative $80,000–$100,000 per year at 4%; $4–$5 million would generate $160,000–$200,000.

## 1. Project Purpose

This project evaluates a sustainable local subsidy program supporting early childhood education and care in Skagway. Child care is essential workforce infrastructure. MOS Resolution No. 22-15R previously focused on licensed child-care startups, while a 2025 grant-funded pilot tested provider payments based on children actively served.

The work identifies (1) a practical provider-based subsidy, (2) a proposed municipal funding framework for 2027–2031, and (3) a separate, long-term permanent fund capable of eventually supplementing or replacing a portion of municipal operating support.

## 2. Project Findings



*Children walking together in Skagway · Photo provided for this report*

### Finding 1 · Child care is an economic and workforce issue

Providers must meet licensing and staffing requirements while keeping tuition within reach of families. August 2026 project discussions identified the gap between what families can afford and what adequate child-care staffing and operations cost. A local subsidy is therefore an operating-stability tool, not simply a tuition discount.

### Finding 2 • The priority has shifted toward sustaining capacity

MOS startup support was designed to encourage new providers. As of the August 2026 project discussion, Little Dippers Learning Center was identified as the community's sole existing provider and was operating as a nonprofit. Discussions identified four infants on a waiting list, additional anticipated demand, and physical-space constraints on expanding infant care.

The policy question is now both how to encourage new care and how to keep existing capacity financially viable while allowing it to grow. Existing municipal funding parameters may not fully match these needs.

## 3. Lessons From the 2025 Subsidy Pilot

The 2025 Skagway Child Care Subsidy Pilot was funded through a $114,000 State Innovation Grant, with at least $102,600 designated for direct program support and up to $11,400 for administration. SDC administered provider eligibility, enrollment documentation, payment calculations, financial records and reporting.

The pilot demonstrated an implementable framework: full-time children counted as one full-time equivalent (FTE), part-time children as one-half FTE, and drop-in participation did not generate subsidy in the example tracker. The tracker illustrates methodology; it does not establish total pilot enrollment or expenditures.

A future municipal program can refine these established processes rather than create a new administrative system from scratch.

## 4. Why a Provider-Based Subsidy

Payments would go to eligible providers based on verified monthly enrollment rather than being paid directly to households. This reduces the need for a separate local household income eligibility system and directs funds into child-care operations. It supplements—not replaces—tuition, State Child Care Assistance, grants and fundraising.

Providers would meet applicable State compliance, business licensing, documentation and final program requirements. MOS would approve program guidelines and appropriations; SDC would administer payments under a formal agreement.

## 5. Regional Comparison • Juneau

The City and Borough of Juneau's FY2026 Per Child Stipend Program, administered with the Association for the Education of Young Children – Southeast Alaska, provides a regional reference. The draft source materials identify $936,000 in total FY2026 funding: $792,400 for per-child stipends, up to $50,000 for workforce development and $93,600 for administration.

| Juneau category | Monthly full-time amount |
|---|---|
| **Infant** | $400 |
| **Toddler** | $400 |
| **Pre-K** | $100 |
| **Additional eligible low-income assistance** | $100 |

Part-time participation is prorated. The source materials also describe a separate $600 monthly full-time employee stipend, prorated for part-time employees. Juneau's program is larger than Skagway's proposal but demonstrates municipal operating support for licensed care.

## 6. Proposed Skagway Subsidy Model

The proposed program would pay eligible, State-compliant providers operating within MOS for children served from infancy through age 12. The final guidelines should specify residency, enrollment verification, attendance definitions, reporting deadlines, and treatment of overlapping assistance.

| Care category | Full-time / month | Part-time / month |
|---|---|---|
| **Infant · 6 weeks–18 months** | $400 | $200 |
| **Toddler · 18–36 months** | $400 | $200 |
| **Preschool · age 3 to kindergarten eligibility** | $300 | $150 |
| **School age · kindergarten–12 years** | $150 | $75 |




*Proposed full-time monthly subsidy rates; subject to approval*

The higher infant and toddler amounts reflect greater staffing intensity and identified shortages. Part-time is calculated at 50% of the applicable full-time rate; actual payments would be tied to verified eligible enrollment.

## 7. Financial Analysis & Budget Controls

The planning scenario assumes 10 infant spaces and 20 spaces for ages 2–6 operating for 12 months, plus 20 school-age spaces available only during an approximately 10-week summer program. The 50 spaces are not 50 year-round spaces. Actual spending depends on enrollment, age mix, part-time participation, program weeks and vacancies.

| Illustrative category | Spaces | Duration | Annual direct cost |
|---|---|---|---|
| **Infant · $400/mo** | 10 | 12 months | $48,000 |
| **Ages 2–6 · $300/mo preschool-rate assumption** | 20 | 12 months | $72,000 |
| **School age · $150/mo** | 20 | 10 weeks | ≈ $6,923 |
| **TOTAL · illustrative scenario** | 50 | Mixed | ≈ $126,923 |

The school-age summer calculation prorates the $150 monthly full-time rate over approximately 10 of 52 weeks: 20 × $150 × 12 × (10/52) ≈ $6,923. This is a planning conversion, not an approved weekly payment policy. Under the preschool-rate assumption, annual direct subsidies are approximately $126,923. If all 20 ages 2–6 spaces instead qualified for the $400 toddler rate, the illustrative annual total would be approximately $150,923. Actual age mix, summer dates, attendance and proration rules must be verified before adoption.

2027 BUDGET PLANNING · DIRECT SUBSIDIES UP TO APPROX. $151,000

The corrected direct-payment scenarios are approximately $126,923–$150,923, not $156,000–$180,000. The former $200,000 request is withdrawn as a planning ceiling; approximately $151,000 is the upper illustrative direct-subsidy amount, not the full program budget. A detailed budget must justify administration, any reserve

or contingency, and other eligible costs; the Municipality may determine a lower appropriation is appropriate. Annual payments must stay within authorized funding.

## 8. Administration & Accountability

Subject to MOS approval and agreement, SDC would verify provider eligibility, collect enrollment reports, calculate monthly subsidies, issue payments, maintain financial records and report expenditures and participation to MOS. MOS would retain authority over appropriations, policy and public-fund oversight.

An annual review should assess enrollment, actual payments, provider stability, staffing conditions, program outcomes, available CFG balances and projected costs for the next fiscal year.

## 9. Why a Five-Year Transition Is Needed

**FUNDING ROADMAP · 2027–2032**

2027: launch subsidy and establish permanent fund • 2028–2031: annually consider eligible CFG resources while building outside contributions • Before 2032: review readiness for investment distributions and any continuing bridge support.

A permanent fund cannot be assumed to generate substantial distributions immediately. The proposal therefore separates annual operating support from endowment capitalization. The two phases proceed concurrently from 2027 through 2031, with a transition-readiness review before 2032.

## 10. Phase I · Municipal CFG Funding Framework, 2027–2031

The CFG Program is the principal municipal mechanism currently identified for potential subsidy support. MOS would consider a formal policy for annually reviewing eligible, uncommitted CFG resources and prioritizing consideration of those balances for the following year's child-care subsidy. This is a proposed policy—not an existing automatic transfer or a five-year guarantee.

### 2027 launch

MOS would verify FY2026 uncommitted CFG resources and separately review any unused child-care-specific appropriations under prior municipal programs. The project recommends using approximately $151,000 as a preliminary annual direct-subsidy planning amount under the higher-rate illustrative scenario, with administration and any justified contingencies budgeted separately. The total FY2027 appropriation should be established only after a detailed budget and available funding are verified. The approximately $200,000 previously discussed as possible unused child-care funding has not been independently verified and must not be treated as an established balance.

### 2028–2031 annual review

Before each following fiscal year, MOS and SDC would review CFG applications and awards, eligible remaining balances, projected enrollment, subsidy needs, administrative costs and any funding gap. MOS could then consider an authorized appropriation or carryforward. The exact mechanism—resolution, ordinance or budget action—requires municipal legal and finance review.

If CFG balances are insufficient, MOS and community partners would consider other eligible support, program adjustments or a reserve if available. No funds already awarded or otherwise committed should be assumed available for transfer.

## 11. Phase II · Municipal Child Care Permanent Fund, 2027–2031

At the same time, MOS would evaluate establishing a dedicated, municipally controlled Child Care Permanent Fund, administered through existing municipal finance and investment infrastructure where lawful and appropriate. This proposal does not designate an external foundation as administrator.

The fund would be capitalized primarily through contributions from employers, local and regional businesses, individuals, corporate partners, philanthropic foundations and other eligible outside sources. SDC and community partners could coordinate fundraising and donor outreach, while MOS would retain governance and financial oversight.

Before accepting contributions, MOS should establish the appropriate legal fund structure, investment authority, rules for donor restrictions, contribution procedures, principal protection and distribution policy. The Municipality's existing Permanent Trust Fund should not be presumed available for commingling these assets without legal review.

### Fundraising milestones and scale

An initial capitalization milestone of $2–$2.5 million is proposed. Under the corrected 10-week school-age assumption, illustrative direct subsidies of approximately $126,923–$150,923 would require roughly $3.17–$3.77 million in principal at a 4% annual distribution rate, before administration and other costs. A longer-term $4–$5 million goal remains a reasonable planning aspiration if the fund is expected to support broader program costs, but must be refined using actual expenses and adopted spending rules.

| Illustrative principal | 4% annual distribution |
|---|---|
| **$2,000,000** | $80,000 |
| **$2,500,000** | $100,000 |
| **$4,000,000** | $160,000 |
| **$5,000,000** | $200,000 |

These are arithmetic illustrations, not investment forecasts or promises. Distributions depend on investment performance, spending rules, fees and restrictions. The fund should not be relied upon for initial operating years.

## 12. Transition Review · 2032 and Beyond

Before 2032, MOS and SDC would compare actual subsidy costs with the fund's assets and sustainable authorized distributions. If sufficient, distributions could gradually replace part or all of municipal operating support. If insufficient, continued transitional support, additional fundraising or adjustments would be evaluated. The end of the five-year framework is a review milestone, not an automatic cutoff of child-care funding.

## 13. Unexpended Subsidy Funds

Unspent dollars within the subsidy program are distinct from unused CFG Program balances. The final program agreement should specify how subsidy appropriations remaining at year-end may be carried forward or used, consistent with original funding restrictions and municipal approval.

Potential priorities for legally available funds are: maintaining an operating reserve, eligible workforce development, and—if permitted—contributions to the permanent fund. None should be assumed automatic.

## Community Perspectives · Themes Identified in Project Discussions

Families benefit from reliable care that supports participation in the local workforce. Providers need predictable operating resources to maintain staffing and available spaces. Employers benefit when families can remain in Skagway and work. These are synthesized themes from project findings, not attributed quotations; direct community testimonials may be added with permission in a future edition.

## 14. Recommended Municipal Implementation Actions

### 1 · Verify FY2026 resources

Confirm uncommitted CFG balances, separate child-care-specific appropriations, outstanding commitments and restrictions.

### 2 · Consider 2027 appropriation

Develop a FY2027 appropriation request using an illustrative direct-subsidy planning amount of approximately $151,000, plus separately justified administration and other eligible costs; confirm available CFG resources.

### 3 · Establish the five-year framework

Consider a policy for annual review and potential use of eligible CFG balances for 2027–2031 operating support.

### 4 · Finalize program rules

Approve age tiers, provider eligibility, enrollment reporting, payment controls and an SDC administration agreement.

### 5 · Establish permanent fund governance

Review legal structure, municipal investment authority, donor rules, principal protection and distribution policy.

### 6 · Launch outside capitalization

Develop employer, business, private-donor and philanthropic outreach and measurable fundraising milestones.

### 7 · Review annually

Track actual subsidy costs, CFG availability, funding gaps and permanent fund growth.

### 8 · Assess transition before 2032

Decide what share of operations can prudently be supported by authorized distributions and what bridge support remains necessary.

## 15. Conclusion

Skagway has already tested a provider-based subsidy administration model. With school-age care available for approximately 10 summer weeks rather than year-round, corrected illustrative direct subsidies are approximately

$126,923–$150,923 annually. The next step is to consider a stable operating mechanism while building a separate long-term financial asset. The proposed 2027–2031 CFG-based framework is the near-term bridge; the municipally controlled Child Care Permanent Fund is the long-term strategy, capitalized primarily through outside support.

Neither future CFG balances nor endowment distributions are guaranteed. The strength of the proposal lies in transparent annual review, responsible appropriation controls, clear fund governance and an explicit transition decision before 2032. Together, these measures would support Skagway families, employers and the resilience of the community's child-care system.

## Supporting Project Materials

- Municipality of Skagway Resolution No. 22-15R — licensed child-care startup support
- Skagway child-care discussion notes — August 2026
- Skagway Child Care Subsidy Pilot Program — final subsidy outline
- Little Dippers Learning Center subsidy tracker — example enrollment and payment calculations
- City and Borough of Juneau FY2026 Per Child Stipend Program materials
- Municipality of Skagway CFG materials and applicable municipal financial policies

Board-review note: Source figures and funding balances require confirmation before formal publication. This report proposes policy actions; it does not represent adopted MOS policy or an approved appropriation.