

# **Investing in the Child-Care Industry**



## **An Economic Development Strategy for Kansas**

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### **Executive Summary**

**Mid-America Regional Council  
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## Child Care Is an ▶ Important Industry

A healthy economy requires strong businesses and productive workers. Child care not only fuels that strength, it's an industry that provides positive, short-term returns.

The majority of Kansas parents seek care and education for their young children through a variety of non-profit, for-profit and family providers.

While not typically viewed as such, these providers comprise a rapidly growing *industry* that contributes a significant amount of economic activity: creating jobs, generating tax dollars, and pumping money into local economies through the purchase of goods and services.

- ★ Child care in Kansas is nearly \$.5 billion dollar industry.
- ★ Regulated child-care establishments directly employ over 14,000 workers — about as many as the state's hotel industry and important agricultural industries like feed grains, food grains and meat-packing plants.

## Child Care Makes an ▶ Economic Contribution



Just as roads, airports and bridges enable people to get to work and businesses to get their supplies, child care allows parents to go to work.

Economic development experts are clear: in order to grow the economy, Kansas needs skilled, educated employees. Policy makers can enhance the current economy by supporting the state's employers and the workforce that is so crucial to their success. Child care is a key part of that effort.

Much has been written about the ways that employer-supported child care can benefit businesses, but the key role that *publicly-funded* child care plays in supporting industry — and the economy as a

- ★ Regulated child-care establishments serve over 100,000 Kansas children.
- ★ Working Kansas families who rely on child care earn almost \$1.98 billion a year.

whole — is rarely noted. Many employers — especially small businesses and those in the service and retail sectors — cannot afford wages that are high enough to cover the cost of purchasing child care. Most of these businesses also cannot afford to provide employer-financed child-care initiatives. Public subsidies help these employers recruit and retain workers.

**Publicly-funded child care supports both the business and the worker — it makes work pay on both sides.**

# Child-Care Funds Have a ▶ **Ripple Effect**



The public funds that Kansas spends on child care help draw new federal funds into the state. Like the economic activity generated by new businesses, federal child-care funds ripple through the economy, increasing economic activity through employment and the purchase of goods and services from Kansas businesses.

The ripple effects of quality child care aren't just short-term; they move through generations. While the industry provides vital support for our current workforce, high-quality child-care programs also help build the future workforce by giving children the early education and guidance they need to prepare for school and become successful employees and citizens.

Studies of early care and education programs have consistently found that the programs boost reading and math skills and reduce the need for special education. Long-term studies also show that children who attend high-quality early childhood programs have higher adult earnings, decreased reliance on social services, and lower rates of delinquency or crime. Numerous studies have estimated that quality early childhood programs return \$7 for every \$1 invested.

★ Each state dollar invested in the child-care industry leverages approximately \$3 in federal funds. Each new federal dollar generates an additional \$1.98 in economic activity in the state.

**The net impact: Nearly \$5 for every \$1 Kansas spends on child care.**



*Child care is more than sandboxes and finger paints — it's a vital, almost \$500 million industry, an engine for economic health and development. It's an industry with multiple benefits that ripple throughout the economy. Investments in child care have significant returns, now and in the future. Strengthening the child-care industry can — and should — be a cornerstone of Kansas' economic development strategy.*

**Analysis for this report was done by Cornell University. For a copy of the full report, call MARC at 816/474-4240, e-mail [earlyeducation@marc.org](mailto:earlyeducation@marc.org) or go to [www.marc.org/mccc](http://www.marc.org/mccc)**

## Recommendations:

### Effective Strategies for Tough Fiscal Times

State revenues are down and budget cuts are being proposed in nearly all sectors of government. But cutting child-care support would be penny-wise and pound-foolish; the economic loss would be far greater than the short-term gain. Indeed, most of the dollars Kansas currently invests in child care are either federal funds or state funds that leverage federal funds. Reducing current investments would limit the federal funds received.

Clearly, Kansas needs to *increase* its investment in child care. These expenditures will more than pay for themselves — in jobs, in economic activity and in the future success of our children. At a minimum, Kansas should take the following steps:

- ★ Recognize that state child-care spending leverages increased federal funds for child care — by almost \$3 for every \$1 spent. These are net new funds to the state, and should be maximized. **Kansas should appropriate the state funds needed to draw down all federal child-care dollars that are available.**
- ★ Recognize that publicly funded child-care subsidies more than pay for themselves, by helping families go to work and by stimulating employment and economic activity within the child-care industry. **Kansas should allocate the funds needed to restore the income eligibility to its former level of 185 percent of the federal poverty level.**
- ★ Investments in the child-care industry not only produce significant economic returns for the state, but help to keep these vital services affordable for families. **Kansas should allocate the funds needed to restore the Early Learning Grants program to its 2001 funding level of \$4.96 million and increase funding for the Smart Start initiative to at least \$4 million.**

There are also low-cost steps that Kansas could take to maximize current funds and help leverage additional monies from other public and private sources:

- ★ **Incorporate child care into the state's economic-development strategy.** Supports for small businesses could be extended to the child-care industry and other employers with limited resources who employ large numbers of low- and moderate-income workers.
- ★ **Focus on innovative ways to leverage new public and private funds for child care.** Establish a public/private initiative to encourage more private-sector support for child care and allow the state to use these private dollars to leverage additional federal funds.
- ★ **Explore new approaches to shared employee benefits, making it possible for more employers to become involved in child-care partnerships.** In some states, public child-care funds have been used as a match for employers who help their employees pay for child care.
- ★ **Use the state's pre-kindergarten initiative creatively, to leverage additional local investments and build new partnerships between schools, Head Start, employers and community-based child-care programs.** Allowing funds to be used in both public and private settings helps maximize available resources and expands access for families.