



THE CHILD CARE INDUSTRY

An Integral Part of Long Island's Economy



ACKNOWLEDGMENTS



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The research in this report confirms that child care is an essential part of the Long Island economy. The child care industry allows parents to work and earn a living, while employing nearly 9,000 child care employees. High-quality child care also helps children develop positive social, emotional and academic skills that prepare them to be successful in school. Unfortunately many families are still unable to access high-quality child care on Long Island due to high costs or lack of availability.

There is extensive research to support the need for high-quality child care from a child development perspective. This Report demonstrates that there is also a fiscal benefit to creating a stronger early learning system that addresses the existing gaps and establishes a fair and efficient way to pay for quality care.

— Nancy Rauch Douzinas, Rauch Foundation



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The Impact of Long Island's Child Care Industry

Child care is one of Long Island's largest industries and a vital component of Long Island's economy. Child care enables thousands of Long Island parents to actively participate in the workforce in addition to creating industry-related jobs and key economic activity. The child care industry also attracts additional federal and state dollars into the local economy and has regional economic linkages that are greater than many other Long Island industries.¹ High-quality child care supports children's success in school and life and helps to build the future workforce by giving children the early education and guidance necessary to succeed.

What is Long Island's Child Care Industry?

This Report features data on some 1,825 full- and part-time child care and early education programs, including child care centers, Head Start, after-school programs and family child care homes. Collectively, these programs represent:

- ▶ An \$804 million dollar industry
- ▶ 8,750 child care employees

Child Care Employment is Larger than Many Long Island Occupations

Almost 9,000 child care workers are employed on Long Island — more than other important Long Island occupations such as lawyers, licensed practical nurses, home health aides and pharmacists.

United Way of Long Island recognizes the Child Care Council of Suffolk and the Child Care Council of Nassau as the leading voices for child care in the region. Like roads and bridges, a high-quality child care system is part of the infrastructure for economic development. We must support working families with their child care needs so they can be productive in their careers. The children benefit as they grow in stimulating environments. It's a win-win for everyone.

— Theresa Regnante, President and Chief Executive Officer, United Way of Long Island

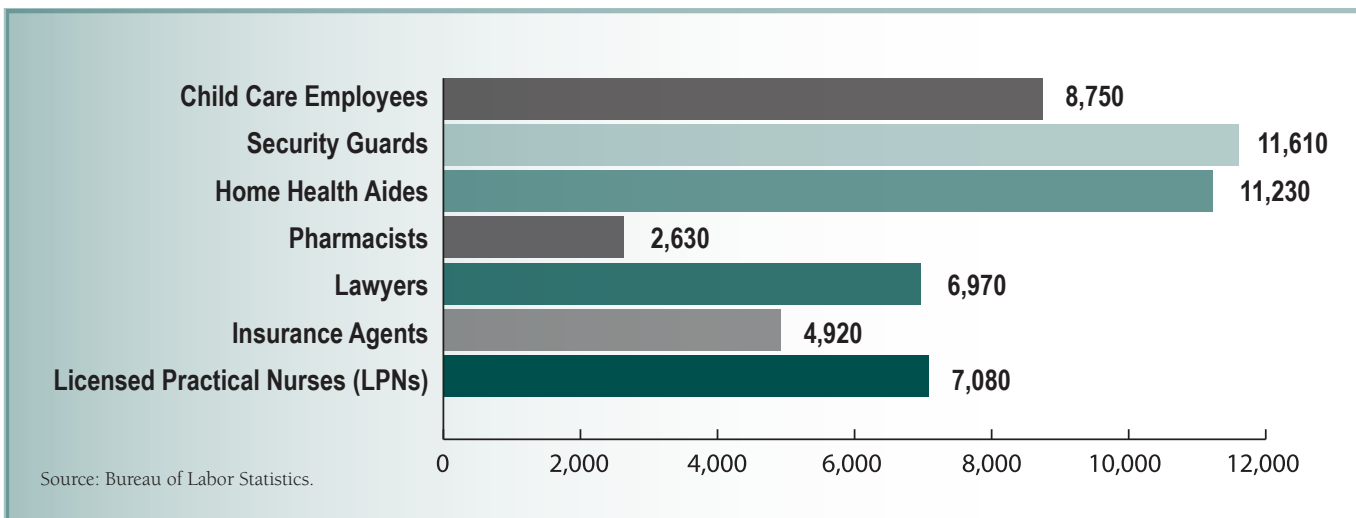
Most Child Care Businesses are Home-Based

Home-based establishments include regulated family child care homes (up to six children each plus two school-age children) and group family child care homes (up to 12 children plus four school-age children). The child care industry also includes paid care provided by friends and relatives known as Legally Exempt care. Regulation-exempt care that offers paid care for not more than two children, or care by in-home caregivers like nannies or au pairs, are not included in this Report's estimates because comprehensive data on their scope are not available. Therefore, the figures in this Report represent conservative estimates of the total size and economic contributions of Long Island's child care industry.

Most Children Attend Center-Based Programs

Center-based care includes child care centers located in community or faith-based settings and schools, Head Start programs and school-age child care programs. Although center-based programs represent less than half of all Long Island child care establishments, they actually serve nearly 85 percent of all children enrolled in paid child care.

LONG ISLAND EMPLOYMENT BY SELECTED OCCUPATIONS (2013)



The Ripple Effect

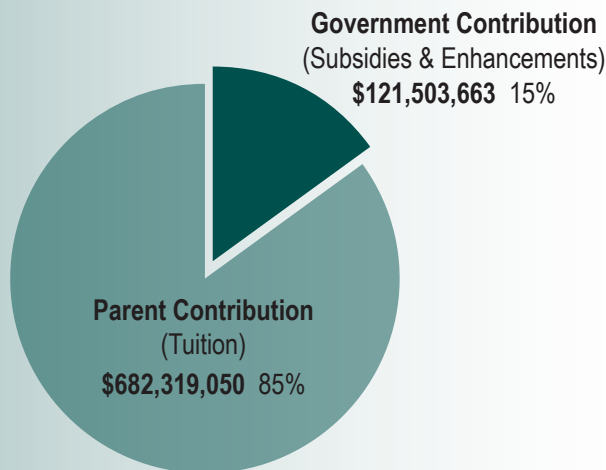
Child Care is an \$804 Million Industry²

Child care is an \$804 million industry on Long Island. This figure includes \$682.3 million in parent tuition fees, \$81 million in government subsidy supports and \$40.5 million in government industry investments. Of this industry total, about 85 percent is paid for by Long Island working families. The remaining 15 percent is paid for by government in the form of subsidies and industry supports.³

Center-Based Care Generates the Most Revenues

Center-based child care not only serves the most children, it generates most of the industry's revenue. Of the \$682.3 million tuition revenue, nearly \$573 million — 85 percent — is produced by center-based child care.

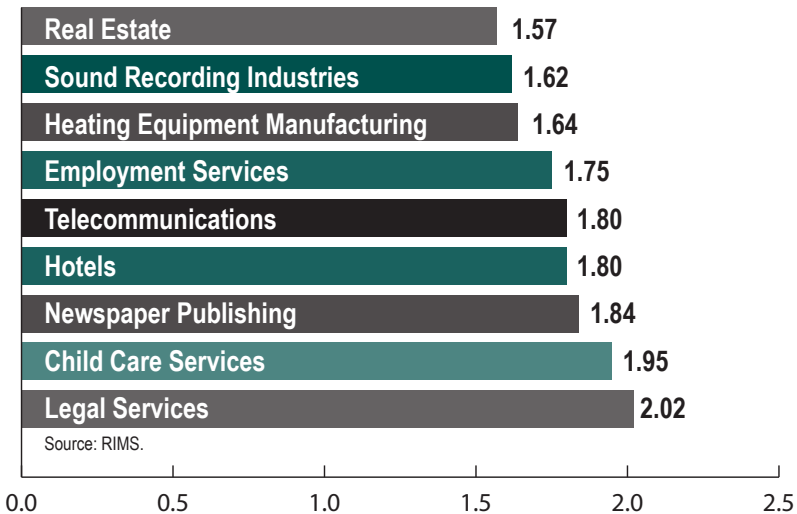
LONG ISLAND CHILD CARE INDUSTRY REVENUE



Money Spent on the Child Care Industry Stays on Long Island

An output multiplier is an estimate of the total sales that would be generated in the local economy by every dollar of increased spending in a particular industry. The Long Island child care industry has an output multiplier of 1.95 – which is larger than that of most other Long Island industries.⁴ This means that the child care industry's linkages to Long Island's regional economy are stronger and more significant than many other industries. This is due in part to the fact that child care industry purchases are geographically concentrated in the Long Island region and tend to be local.

ECONOMIC LINKAGES OF CHILD CARE LARGER THAN OTHER LONG ISLAND INDUSTRIES



Child Care Spending Ripples throughout the Long Island Economy

The economic importance of Long Island's child care industry extends beyond the number of individuals directly employed and the revenue of the industry. As child care businesses and their employees spend money in the Long Island economy, they collectively stimulate economic activity in other industries as well.

The standard tool that economic development professionals use to estimate the regional economic linkage of an industry – called input-output analysis – calculates the ripple (multiplier) effect that results from the spending by that industry. In addition to direct effects, multiplier effects include two key components that promote economic growth:

- ▶ Indirect effects measure how much economic activity is stimulated by *child care businesses* when they purchase goods and services from local suppliers.
- ▶ Induced effects measure how much economic activity is generated by *child care employees* when they use their wages to purchase goods and services from local businesses.

How can we best invest in human capital development to increase workforce capabilities, raise productivity and social cohesion and assure America's economic competitiveness in the global economy? The answer is to invest in comprehensive early childhood development from birth to age five. Ignoring this finding will put our country's future in peril by producing a deficit of human capital that will take generations to correct.

— James Heckman, Nobel Prizewinning Economist

Government Child Care Subsidies Generate Economic Returns

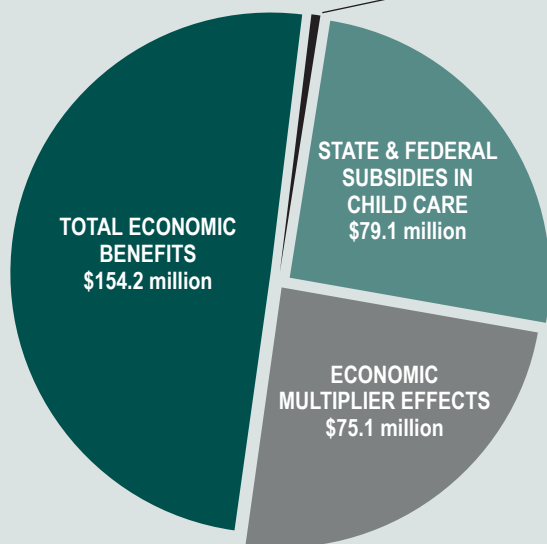
Most federal and state child care funds are used to help low-income families pay child care tuition so they can remain employed. While typically viewed as welfare, these subsidies are actually part of a comprehensive economic development strategy — and a critical one for Long Island. Input-output analysis helps to measure the economic impact of government child care subsidies.

Local Long Island tax dollars spent on child care attract a large amount of federal and state dollars into Long Island's economy. This funding ripples throughout the economy in much the same way as the dollars generated by attracting new businesses. From 2008-2013, Long Island spent an average annual amount of about \$1.9 million in local funds for child care. These funds helped to leverage an additional \$79.1 million in state and federal subsidy funds — almost \$42 for every \$1 invested.⁵

Each of these state and federal dollars generates \$1.95⁶ in the larger Long Island economy, resulting in a total leverage and linkage of more than 81:1.⁷

ECONOMIC IMPORTANCE OF STATE AND FEDERAL CHILD CARE SUBSIDIES

LONG ISLAND INVESTMENTS IN CHILD CARE \$1.9 million



Child Care Subsidies Return Tax Dollars to Long Island: Every \$1 Long Island invests in child care helps to ensure that almost \$42 in additional federal and state funds are returned to the regional economy.

Child Care Subsidies Stimulate the Long Island Economy: Each of these state and federal dollars generates a total of \$1.95 in the Long Island economy.

The conventional view of economic development typically includes company headquarters, office towers, entertainment centers and professional sports stadiums and arenas...

We have argued that in the future any proposed economic development list should have early childhood development at the top. The return on investment from early childhood development is extraordinary, resulting in better working public schools, more educated workers and less crime...

— Arthur J. Rolnick, Economist, and Rob Grunewald, Economist, Federal Reserve Bank of Minneapolis

WORKING PARENTS WHO RELY ON CHILD CARE COLLECTIVELY EARN \$10.6 BILLION ANNUALLY.

It is difficult to precisely estimate the number of employed parents who purchase child care. However, based on state income tax data adjusted by population, approximately 111,300 Long Island parents claimed child care expenses on their 2010 tax return.⁸ Using Long Island's average wage data, we estimate that working families who rely on child care collectively earn \$10.6 billion in wages.⁹ These working parents pay dearly for child care. In 2013, Long Island's prevailing market rates for weekly full-time care of a preschooler were about \$315 in a child care center and \$284 in a regulated family child care center.¹⁰ In cases where a family uses child care 50 weeks out of the year, it spends more than \$14,200 annually for one child in home care. This amounts to about 35 percent of average per capita income.

Quality child care is expensive, but it's an investment that more than pays for itself. We have shown in this Report that child care spending has substantial short-term benefits for the regional economy. Investing in young minds also can yield high returns over the long haul. The National Institute for Early Education Research estimates that the long-term benefit of preschool for three- and four-year-old children is, on average, \$25,000 per child — substantially more than the costs.¹¹

Child Care Investments Support the Knowledge Economy

In addition to stimulating the regional economy, child care is part of the social infrastructure that enables parents to work. And it gives children the learning opportunities they need to become successful in school and life.

Report Summary *The economic importance of child care can be described in three key ways.*

Child Care Supports the Regional Economy

Child care is a rapidly growing industry that contributes directly to growth in jobs and income, draws additional federal and state dollars into the local economy and has regional economic linkages that are greater than most other Long Island industries.

Child Care Supports Parents

Just as roads and bridges enable people to get to work, child care is a social infrastructure that supports working parents and their employers. Public support for child care not only helps working parents find affordable care, it helps many small businesses recruit and retain employees.

Child Care Supports Children's Success in School and Life

High-quality child care is a cornerstone of the knowledge economy. It helps to build the future workforce by giving children the early education and guidance they need to succeed.

Policy Recommendations

To benefit every Long Islander, all child care industry stakeholders — businesses, government and the child care industry — must work and plan together to maximize the economic potential of the child care industry.

Business Strategies

- ▶ Identify corporate champions who will promote the child care industry as critical to Long Island's economic vitality and economic development.
- ▶ Enlist business and government support in promoting the link between child care and economic development.
- ▶ Create a child care business task force to advocate for child care and its link to economic development.
- ▶ Explore new ways that will make child care more affordable for families such as: launching a regional effort to expand the number of employers who have established Dependent Care Assistance Plans.
- ▶ Work with economic development agencies to promote and create industry-wide solutions to common problems. Approaches may include: establishing purchasing cooperatives, sharing services or equipment and jointly developing automation systems to support fiscal management.
- ▶ Leverage public economic development dollars with private support to create loan funds and other resources for the child care industry.

State and Local Government Strategies

- ▶ Continue and enhance financial support of the child care industry. Maintain all government child care funds, and where possible, expand investments.
- ▶ Leverage the linkages between child care and economic development.
- ▶ Incorporate child care into state and local planning.
- ▶ Provide incentives for business investment in the child care infrastructure.
- ▶ Create loan funds and resources using public/private dollars to enhance child care sustainability.

Community Strategies

- ▶ Work with businesses that have successful child care programs to create advocates within the business sector.
- ▶ Economic development agencies should help develop the child care workforce and human resource practices. This could include examining, designing and implementing an array of improvements to the sector's human resource practices.
- ▶ Introduce strategies to state and local government and businesses that incorporate child care into economic development planning.
- ▶ Recognize and support the Child Care Councils of Nassau and Suffolk as critical partners with all other stakeholders.
- ▶ Coordinate an Island-wide data collection effort that maintains data on the supply of and demand for early care and education programs. Collect data on commuting patterns, companies that employ large numbers of working parents and plans for new residential and commercial developments.
- ▶ Expand efforts to educate parents about the impact of the child care industry.

When stakeholders work together to integrate child care into economic development, engage business and build a coordinated system of early care and education, they set up a win-win situation:

- ▶ Businesses win when they improve their bottom line.
- ▶ State and local governments win when they save money and improve quality of life.
- ▶ Child care wins when the industry is stable and meets the demands of Long Island's working families.
- ▶ Long Island wins when the economy is healthy and children are prepared adequately to succeed.

The health and sustainability of our child care industry is a key driver of the Long Island economy and thus the business community should continue to invest in ways to make it more affordable and accessible to working families.

— Kevin Law, President and Chief Executive Officer, the Long Island Association

Endnotes

- ¹ The information contained in this Report was supplied by the Child Care Council of Nassau, Inc. (CCCN) and the Child Care Council of Suffolk, Inc. (CCCS). Both councils maintain an internal database that tracks resource and referral data specific to their constituencies. The data contained in this Report were collected in March 2014. With the exception of the Child and Adult Care Food Program (CACFP), data for each cost component represent annual figures averaged over a five-year period to reduce short-term fluctuations and convey a better overall sense of the size of the industry. We had CACFP data for only two years, so a two-year average was used in this case. (CACFP payments represent a very small percentage of overall costs used to calculate the size of this industry.) The financial and funding information contained in this Report are expressed in constant 2013 dollars using the all items component of the Consumer Price Index. For the purpose of this Long Island analysis, industry figures represent CCCN and CCCS figures added together.
- ² The size of Long Island's child care industry includes: 1) parent tuition receipts, 2) government industry supports and 3) government subsidy supports. Total parent tuition receipts were: \$682,319,050. Total government industry supports were: \$40,457,221. Total government subsidy supports were: \$81,046,442. Total child care industry thus amounted to \$803,822,713 (\$804 million).
- ³ Government subsidy investments include: Child Care Development Block Grant (CCDBG) \$64,771,792; Temporary Assistance for Needy Families (TANF) \$12,716,687; American Recovery and Reinvestment Act Funds (ARRA) \$1,656,847; and Local Maintenance of Effort (MOE) \$1,901,117. Total government subsidy investments = \$81,046,442. Government industry investments include: Child and Adult Care Food Program \$10,920,313 and Head Start \$29,536,908. Total government industry investments = \$40,457,221. Total government contributions (subsidies plus enhancements) include: \$121,503,663. This represents $\$121,503,663/\$803,822,713 = 15.12$ percent (15 percent) of the industry total.
- ⁴ Source: RIMS. Type II Multiplier (includes direct, indirect and induced effects).
- ⁵ Total local funds include: MOE \$1,901,117; total local investments = \$1,901,117; total state and federal child care subsidies include: CCDBG (\$64,771,792) + TANF (\$12,716,687) + ARRA (\$1,656,846) = \$79,145,325. Hence, every local dollar invested in child care leverages $\$79,145,325/1,901,117 = \41.63 at the state and federal levels.
- ⁶ Source: RIMS. Type II Multiplier for Long Island's child care industry (1.95) is used to analyze external monies. In looking at state and federal funding, we applied the Type II Multiplier (1.95). Type II Multiplier of child care industry = (direct effect 1.0 + indirect + induced effects 0.95) = 1.95. Total economic impact of state and federal subsidies = \$79.1 (direct) + \$75.1 (indirect + induced) = \$154.2 million. Please note that this figure only represents subsidy monies. It does not include industry investment monies.
- ⁷ Total local funds include: MOE \$1,901,117; total local investments = \$1,901,117; total state and federal child care subsidies include: CCDBG (\$64,771,792) + TANF (\$12,716,687) + ARRA (\$1,656,846) = \$79,145,325. The ratio of state and federal to local funding = $\$79,145,325/\$1,901,117 = 41.63:1$. For monies that come from external sources, we applied the Type II Multiplier (1.95) to calculate the total economic impact these funds have on Long Island's economy. Thus, the total leverage and linkage effect is $41.63 \times 1.95 = \$81.18$.
- ⁸ From the *2004 Long Island Child Care Industry Report*, 108,163 parents on Long Island claimed the NYS child care tax credit in 2000. Applying 10-year population growth on Long Island (2.9 percent) to this figure yields an estimate of 111,300 parents claiming this credit by 2010. (Note: tax law permits parents to claim expenses for any legal child care, including informal arrangements provided by nannies. These informal providers are not included in our gross receipt figures or in the number of children served.) For this study, we thus estimate that 111,300 Long Island parents (Nassau and Suffolk Counties) claimed the child care tax credit.
- ⁹ Using information from city-data.com and converting to 2013 dollars, median household income in Nassau County and Suffolk County was \$100,388 and \$90,481, respectively. Applying populations of Nassau and Suffolk counties to these respective figures yields \$10,604,880,521. In other words, all of Long Island's parents who used the credit made a combined income of about \$10.6 billion.
- ¹⁰ Average weekly rate of full-time preschool \$284 x 50 weeks = \$14,200 annually. New York State Child Care Market Rates (spring 2003) updated to 2013 dollars.
- ¹¹ National Institute for Early Education Research. Fast Facts: Economic benefits of quality preschool education for America's three- and four-year olds. <http://nieer.org/resources/facts/index.php?FastFactID=6>.



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