



# The Business Case for Expanding Quality Early Child Education Investment in Texas

## TEXAS PRENATAL TO THREE (PN-3) COLLABORATIVE

### Access to affordable, quality childcare will:

- Help Texas recover from COVID-19 and can add \$57 billion annually to the U.S. economy
- Improve business productivity by an amount up to \$12 billion annually the the U.S. economy.
- Make Texas more Competitive vs other states
- Help support Small Businesses
- Help support Minority-Owned Businesses

### Why quality early childcare?

In short, investments in human capital see the best return and investing in high-quality childcare supports the future economy by raising productivity of subsequent investments in K-12 education, post secondary education and job training. Additionally, many parents are in critical need of childcare and the lack of access to quality and affordable childcare affects both employees and employers.

### Working families need access to reliable and affordable childcare.

ReadyNation's [new study](#) examined the impact on the childcare industry and assigned an annual cost of \$57 billion in lost earnings for productivity and revenue prior to the pandemic. Notably in 2018, 61% of Texas women ages 20-60 living with children under the age of 5 participated in the workforce, compared to 95% of men with the same criteria. [Around 1 in 5 workforce age adults](#) have now reported that they are not working because of the COVID-19 disruption in childcare arrangements. Of those not working, women ages 25-44 are almost three times as likely as men not to be working due to childcare demands.

### Lack of quality, affordable childcare significantly affects business productivity.

According to recent studies conducted by the U.S. Chamber of Commerce and Ready Nation, between \$3 Billion and \$13 billion of reduced revenue and recruiting costs. Absenteeism and turnover, particularly among working mothers is significantly impacted by lack of access to quality childcare.

### Quality childcare will foster a more competitive business and workforce environment.

Quality childcare creates a solid foundation for strong academic and life outcomes. The COVID-19 pandemic has compounded learning losses at all education levels, and early education is no exception. High-quality childcare contributes to a child's kindergarten readiness and further academic and social-emotional success, ultimately creating a stronger workforce for tomorrow. Children participating in quality childcare before kindergarten, on average, have higher high-school graduation rates, lower enrollment in special education programs, and lower rates of behavioral issues later in life.

Texas 2036 is a nonprofit organization led by a diverse, statewide, bipartisan board. Texas 2036's mission is to enable Texans to make fact-driven decisions through accessible data, long-term strategic policy planning, and statewide engagement. [Texas 2036](#) ranked Texas versus 11 other states based on competition for business and talent and of similar size to Texas. *While Texas fared well in prosperity and well-being metrics, it scored 12 out of 12 on the only available early learning benchmark – 4<sup>th</sup>-grade reading.*

One of the major levers for states to increase quality childcare is to provide subsidies to early childcare providers who are on a path to improving their quality. [The University of Texas LBJ School of Public Affairs recently released a benchmarking exercise](#) comparing Texas subsidies to other state subsidies. *Texas ranked 45<sup>th</sup> out of 50 states* in the level of subsidy it provides its families.



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In 2018, Texas received \$747,203,336 through the federally funded Childcare Development Block Grant (CCDBG) for subsidized childcare in Texas. Providers in the Texas Workforce Commission's 33 subsidized childcare programs receive progressively higher reimbursement rates as they achieve higher Texas Rising Star Levels. Texas Rising Star is Texas' Quality Rating and Improvement System and is the only systematic measure of quality for childcare providers in the state. However, the reimbursement rates still do not nearly cover the cost of providing quality childcare. The current TRS-4 Star reimbursement rate is \$8,330 per year, whereas the average true cost of quality for a childcare provider is \$15,000 per year.

### Support Small Businesses

Childcare centers are small businesses, and many of these small businesses will soon go out of business. According to research conducted by Children at Risk, 14% of TRS providers were temporarily or permanently closed (a loss of 16,688 seats). Recent data indicates that 1,916 centers serving infants and toddlers temporarily closed (a loss of 1,426 seats by August) and 197 centers serving infants and toddlers permanently closed (107 were TRS). Childcare providers are businesses and need support like other industries.

In 2019, according to the Committee for Economic Development, the childcare industry in Texas provided more than \$3.64 billion of revenue. Along with direct revenue, the childcare industry also supported approximately \$5.04 billion in related productivity by providing essential services that enable families to participate in the workforce.

As a result of COVID-19, the number of geographic areas without childcare availability is growing exponentially as childcare operations struggle to remain profitable. As of July 2020, roughly 61% of centers, 39% of homes, and 37% of subsidy childcare providers (both home and centers) are currently operating, many of which are not operating at full capacity.

### Support Minority-Owned Businesses

Women of color own many childcare centers. If childcare centers close, Black and Latina women will be disproportionately impacted. Ninety-three percent of childcare workers are women, and 45 percent are Black, Asian, or Latino. In contrast, half of the childcare businesses are minority-owned.

### For More Information

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