

Child Care in State Economies

TALKING POINTS

2019 Update



Minnesota

For FY2018 and FY2019, Congress approved large increases in child care funding allocated to states. For example, FY2018 funding for Minnesota was an increase of \$29.8 million – providing an opportunity to both strengthen the quality of child care and to increase access for low-income families with children. The FY2018 increase was maintained in FY2019 (with a slight increase for states).

Quality Child Care Matters!

- Quality child care is essential to the safety and healthy development of children, particularly in the school readiness of low-income children. In Minnesota, 12.6% of children under age 5 (about 43,789) live in poverty.
- Child care is not just a key work support for parents, but it is also critical for the healthy development of children to ensure they start school ready to learn.
- Child care as an industry has an economic impact on states – for example, in Minnesota, industry revenue combined with spillover effects (additional spending) have a \$2.25 billion impact on the state economy.

The Child Care Industry Affects the State Economy

- Throughout Minnesota, there are 15,841 market-based child care providers with revenue of \$1.05 billion. This includes 14,434 sole proprietors (family child care home-based providers) and 1,407 child care centers.
- In terms of jobs, 32,408 home-based providers and wage and salary employees in the child care sector are estimated to support about 11,900 workers in other industries for a total jobs impact of 44,308 throughout Minnesota.
- The \$631 million in employee compensation and home-based child care provider earnings supports about \$431.4 million in additional earnings across the state for a total earnings impact of \$1.06 billion.

Child Care Usage in Minnesota

- About 57.6% of children birth to 5 in Minnesota are in some type of non-parental care for at least 10 hours every week.
- About 421,249 children under age 15 are in paid care – 193,203 (54.4%) under age 5 and 228,046 (31.3%) between the ages of 5 and 14.
- The average annual cost of care for an infant is \$15,704 in a child care center and \$8,424 in a family child care home. Center-based infant care is 24.8% of state median income.
- Since 2010, family child care homes have declined from 19,872 to 14,434 in 2016 – a decline of 27.4%. For working families, the decline in home-based care reduces the availability of the least expensive care option for families.

Child Care Link to the State Economy

- Access to affordable child care increases labor force participation and supports state and local economic growth.
- Access to affordable child care supports parents seeking additional education and training, which contributes to higher earnings over an individual's lifetime.
- Increased subsidy payments trigger state level responses in wage rates, the mix of low- and high-skilled labor used in the state, prices of goods and services, and access to high-quality programs for children.

Note: Regulations for child care licensing vary by state. The economic information provided through the U.S. Census Bureau Economic Census includes employers and sole proprietors who report child care business income. This does not mean such entities are regulated by the state or are in compliance with state law. Therefore, state regulatory lists may vary from child care business data reflected in the Census Bureau data.

Sources: Committee for Economic Development of The Conference Board, *Child Care in State Economies: 2019 Update*; 2016 U.S. Census Bureau Economic Census and County Business Pattern data and non-employer statistics data; Current Population Survey for the 2015-2017 period; 2016-2017 National Survey of Children's Health (NSCH), U.S. Department of Health and Human Services; Child Care Aware of America 2017 child care rates, *the U.S. and the High Cost of Child Care* (2018); and FY2018 Child Care and Development Block Grant (CCDBG) funding, U.S. Department of Health and Human Services.

